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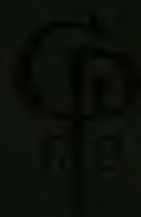
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# BOOKKEEPING EXERCISES

PART TWO  
ADVANCED

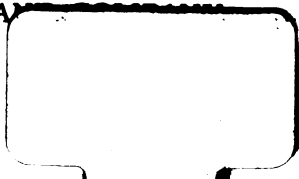


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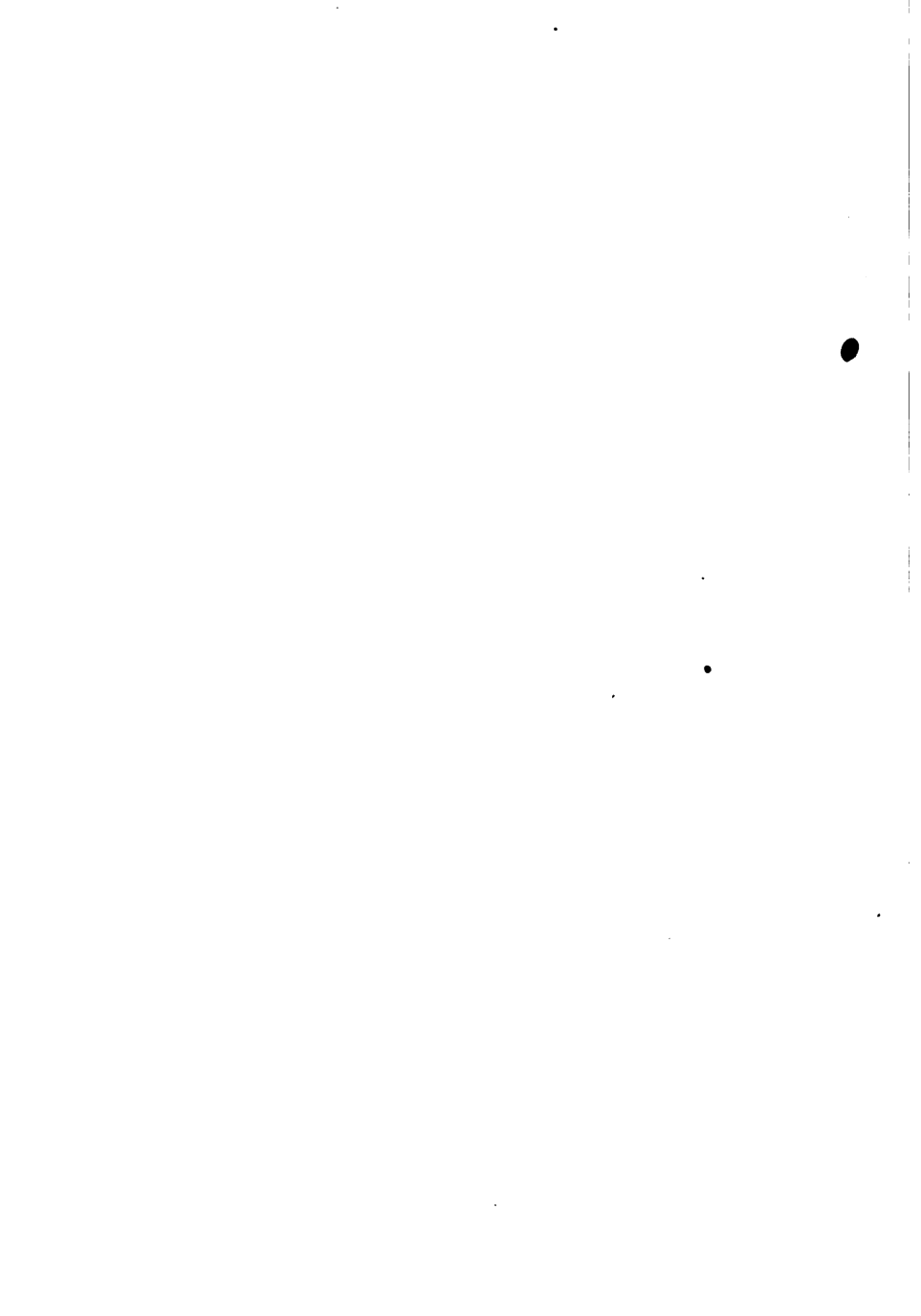
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# BOOKKEEPING EXERCISES

## PART TWO ADVANCED BOOKKEEPING

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## PREFACE

Part One is designed exclusively for use in classes in elementary bookkeeping. This book (Part Two) presents a collection of supplementary exercises for use in more advanced classes in the subject. The exercises are selected from the examinations given by The University of the State of New York at regular intervals during the past six years.

A study of the principles underlying the bookkeeping devices, such as subsidiary ledgers, columnar books, and the like, as well as of the technique involved in the use made of these devices, constitutes a prominent feature of the work in advanced bookkeeping. That the teacher may have adequate means for review in this phase of the subject, a considerable portion of the book is devoted to exercises adapted to the purpose.

Exercises in ample number are provided for practice in the preparation of financial statements. These exercises are sufficiently comprehensive to bring out the technical form and the arrangement and grouping of items as illustrated in the statement forms shown in Appendix A.

Closing and adjusting entries, business papers, special problems dealing with shipments and consignments, partnership and corporation entries, and the like are also provided.

The scheme for rating examination papers, given in Appendix B, should solve the difficulty that teachers frequently have in evaluating results in bookkeeping work.

W. E. B.





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## PART TWO

### ADVANCED BOOKKEEPING

#### THE BUSINESS NARRATIVE

In the following exercises, the directions prescribe, as a rule, only the special columns required in the books of original entry; General Ledger or Sundries columns, however, must be supplied for the unclassified items. In the cashbook Net Cash columns should also be provided for cash receipts and cash payments.

#### EXERCISE 1

Use a journal with special columns provided as follows: Accts. Pay. Dr.; Notes Rec. Dr.; Accts. Rec. Cr.; Notes Pay. Cr.

On May 1, 19—, the firm of Ford & Wright, Troy, N. Y., decided to replace the old books of account with a new set.

(a) Under date of May 1, make the necessary journal entry to open the new books, using the following data from the balance sheet of April 30:

**Assets:** Cash \$3000; merchandise inventory \$6000; accounts receivable \$17,350; notes receivable \$2000; furniture and fixtures \$1500; horses, wagons, and harness \$950; real estate \$12,000; accrued interest on notes receivable \$150; insurance prepaid \$95.

**Liabilities:** Notes payable \$1500; accounts payable \$5500; mortgage payable \$6000; interest accrued on notes payable \$45.

**Capital accounts:** S. R. Ford \$15,000; A. B. Wright \$15,000.

(b) Record, with sufficient explanations, the following selected transactions:

**May 1** Henry Weir renews his note for \$1500 with interest amounting to \$45 by giving us a 30-day note to cover the face of the old note and the interest due.

**3** Brown & Clark have accepted our draft at 30 days' sight for balance of account \$329.

**3** Returned to Mason & Co. goods invoiced at \$50, as they were not what we ordered.

**5** Accepted T. K. Barton's draft at 10 days' sight for \$400 to apply on account.

**6** Drew at 30 days' sight on Charles Eaton, a customer, in favor of G. B. Race to apply on account; face of draft \$500.

**7** Received from Myers & Co. their 60-day note for \$350 in payment of invoice of April 29. We indorsed the note to Mason & Co. and received credit at its face value.

**10** Lost by fire a wagon valued at \$275.

**11** Allowed John Silver, a customer, \$20 for goods he received in damaged condition.

**12** Received from John Baker, to apply on his account, William Cogan's note for \$200, which Baker has indorsed to us. The note has 30 days to run and we have agreed to take it less the discount for that time.

**14** Received from Gatley & Co. account sales for shipment No. 5, showing net proceeds \$695, for which no remittance has been made.

**15** Received from John Silver, to apply on his account, our acceptance due to-day in favor of T. K. Barton for \$400.

(c) Prepare the journal for posting. [40]<sup>1</sup>

<sup>1</sup> The number of credits assigned to the Exercise. See Appendix B for directions for rating.

## EXERCISE 2

Use cashbook only. The special columns required in addition to Net Cash and Sundries columns are as follows: on the left page, Accts. Rec., Sales Disc., and Cash Sales; on the right page, Accts. Pay., Purchase Disc., and Expense.

On the morning of June 15 the cashbook of Fulton & Miller, Passaic, N. J., showed a balance of \$3962.57, all on deposit in the City National Bank.

(a) Enter in the cashbook the balance on hand and make the necessary entries for the day's cash transactions as given below.

Received check from O. P. Langdon for bill of May 15 amounting to \$863.75, less 1%.

Prepaid our 60-day note, dated May 3, in favor of R. T. Carson for \$1250, with interest at 5%.

Paid invoice of Albany Supply Co. for \$1627.50, less 3%.

Received notice from the City National Bank that a draft on William Potter, a customer in Syracuse, N. Y., has been collected and the proceeds placed to our credit; face of draft \$450, collection charges  $\frac{1}{16}$  %.

Paid \$18.75 for miscellaneous expenses, \$46.75 for freight on incoming goods.

Discounted at the City National Bank the firm's three months' note for \$4000, dated to-day, and received credit for the proceeds.

Received from O. K. Freeman check for \$876.26, in full of account rendered.

Sent The Charleston Hardware Co., Utica, N. Y., check for \$586.25, the proceeds of consignment No. 362 under date of June 1.

Issued check for \$150 to the order of A. R. Miller, one of the partners, on his personal account.

Received from Samuel Chilton check for \$1000 in payment of his 15-day interest-bearing note for \$400 due to-day, and of a bill for \$129.80 on which 3% dis-

count is allowed, the balance to apply on his standing account.

Paid Johnston & Co., Worcester, Mass., check for invoice of June 5, amounting to \$463.75, less 2%.

Cash sales for the day \$275.82.

(b) Balance the cashbook.

(c) Prepare the cashbook for posting. [Do not post but indicate clearly the postings necessary.] [30]

### EXERCISE 3

Use cashbook and sales journal.

The columns required in the cashbook are as follows: on the debit side, Accts. Rec. Cr., Disc. on Sales Dr., Sales Cr., Sundries, and Net Cash; on the credit side, Accts. Pay. Dr., Disc. on Pur. Cr., Expense Dr., Sundries, and Net Cash. The columns required in the sales journal are Cash and On Account.

L. C. Daniels & Co., Reading, Pa., are wholesale dealers in hardware. As bookkeeper in charge of the cashbook and sales journal, make, with proper explanations, the necessary entries for the following transactions for July, 19—:

July 1 Cash balance on hand \$4820.75.

Paid invoice of Highland Tool Co., Pittsburgh, Pa., for \$2512.70, less discount of 5%.

2 Sold John Cross, Oneida, N. Y., terms  $\frac{2}{10}$   $\frac{n}{60}$ , merchandise amounting to \$372.50. Cash sales \$52.17.

3 Received Henry Needham's check in payment of 60-day note for \$250, dated June 20, less discount for the unexpired time. Paid \$3.75 for repairs to delivery wagon.

5 Sold James Marlin, Rome, N. Y., terms sight draft attached to bill of lading, merchandise amounting to \$642.50. Cash sales \$27.45.

8 Received check from William Ford & Son for bill of June 29, \$416.25, less 1%.

10 Received notice from the City National Bank that draft on James Marlin has been collected, charges for collection 80¢. Paid \$17.10 for miscellaneous expenses.

12 Paid six months' interest due on \$5000 mortgage, annual rate  $5\frac{1}{2}\%$ . Cash sales \$76.90.

13 Received check from John Cross for invoice of July 2, less the discount.

15 Paid at the City National Bank 30-day note for \$2000, with interest, due to-day.

Balance the cashbook.

20 Drew a sight draft on Martin Garrison, Erie, Pa., for balance due \$572.50 and received credit for the same at the City National Bank, less \$1.20, collection charges.

22 Sold Henry Needham, on account, a bill of goods amounting to \$176.50. Cash sales \$23.60.

25 Paid Hartford Lock Co. balance due on account \$635.20. Paid \$150 for office furniture.

30 Paid miscellaneous items of expense \$63.50. Received check from John Cross for interest due on note \$18.75. Cash sales \$126.15.

31 Paid office salaries \$150. Mr. Daniels withdrew \$150 for private use.

Balance the cashbook.

Prepare the cashbook and sales journal for posting.  
[The mere footing of columns is not sufficient.] [40]

#### EXERCISE 4

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr. and Accts. Rec. Cr.

The special columns required in the cashbook are as follows: on the left page, Accts. Rec. and Sales Disc.; on the right page, Accts. Pay., Purchase Disc., and Expense.

On August 2, 19—, A. R. Gaskell and H. P. Randall form a partnership under the firm name of Gaskell



& Randall to conduct a coal and lumber business in Concord, N. H. Each partner invests \$10,000 in cash. Losses and gains are to be shared equally.

(a) Make, with sufficient explanations, the necessary entries in the proper books for the following selected transactions for the month of August:

**August 2** Each partner contributed by personal check the amount of his investment. The checks were deposited in the Hudson River National Bank.

**2** Purchased for \$25,000 the coal and lumber business of Watson Freeman. Mr. Freeman has agreed to take in payment a 5% purchase money mortgage for \$12,000, a six months' note for \$4000, bearing interest at  $5\frac{1}{2}\%$ , and the balance in cash. All the necessary papers have been executed and delivered.

**6** The following appraisal of the Freeman property has been taken for the purpose of opening the proper accounts for the various items included in the purchase: land, coal pockets, lumber sheds, and other buildings \$17,500; coal and coke valued at \$3000; lumber valued at \$4000; delivery equipment \$1500; office fixtures \$250.

**7** Sold M. J. Warren, City, terms  $\frac{2}{10}$ , 15 tons coal @ \$6.50; 16,000 ft. lumber @ \$25.50 per M.

**9** Bought of Gibson Stationery Co., on account, stationery to the amount of \$75.

**10** Received from Scranton Coal Co. invoice of coal amounting to \$2458.72; date of invoice August 7; terms  $\frac{2}{10}$   $\frac{n}{30}$ .

Purchased for cash: stamps \$10, pens and pencils 75¢.

**11** Paid \$169.78, freight on shipment of coal as per Scranton Coal Co. invoice.

**12** Mr. Gaskell transferred to the partnership as an additional investment: Frank Taylor's three months' note for \$2500, dated May 26, with accrued interest at 5%; balance due on H. K. Lane's account \$716.18.

14 Received credit memorandum from Scranton Coal Co. for shortage of \$152.29, claimed in coal shipment as per invoice dated August 7.

17 Received M. J. Warren's 30-day interest-bearing note for \$400 and check for balance due on bill of August 7, less the discount.

18 Made the following sales, terms  $2/10$ : Kittrell & Co. \$861.75; S. L. Silverman \$275.60.

20 Paid by check Scranton Coal Co's invoice of August 7, less the discount.

23 Paid incidental expenses \$43.75, insurance \$123.40, delivery equipment expense \$21.42. Advanced \$25 salary to James Barton, the bookkeeper.

26 Frank Taylor redeemed his note maturing to-day.

27 Loaned John P. Franklin \$5000 on his 60-day collateral note.

28 Received from Buffalo Lumber Co. as per order of August 26, invoice of lumber amounting to \$7386.45; accepted their 30-day sight draft, drawn August 26, for \$5000 and remitted a check for the balance.

30 Mr. Gaskell transferred check which he had received from H. K. Lane for balance due.

31 Paid James Barton balance due on salary for the month \$75, incidental expenses \$10.80.

(b) Foot and rule the books of original entry.

(c) Post and take a trial balance. [70]

#### EXERCISE 5

Use journal, cashbook, sales journal, and purchase journal. The special columns required in the journal are Accts. Pay. Dr. and Accts. Rec. Cr.

The special columns required in the cashbook are as follows: on the debit side, Disc. on Sales, Accts. Rec., and Sales; on the credit side, Disc. on Pur., Accts. Pay., and Expense.

The Crawford Heating Co., incorporated, is engaged in business in Columbus, Ohio. On April 1, 19—, the cashbook shows a balance of \$4682.50.

Enter this balance in the cashbook and make, with proper explanations, the necessary entries for the following transactions: [The transactions do not constitute a complete series.] [60]

**April 6** Received from the Acorn Stove Co., Canton, Ohio, invoice of stoves amounting to \$485; date of invoice April 3, terms  $\frac{3}{10} \frac{1}{30} \frac{n}{60}$ .

**8** Paid invoices by check as follows: books and stationery, Case Office Supply Co., \$27.60; coal for warehouse and office use, Economy Coal Co., \$325; freight bills on incoming merchandise, New York Rapid Freight Co., \$65.30.

**13** Paid by check Acorn Stove Co. invoice of April 3.

**15** Sold Farmers Coöperative Association of Newark, Ohio, 10 heating stoves @ \$32 each, taking in part payment 5 secondhand stoves @ \$10 each and the balance in cash.

**18** Petty cash sales to transient buyers to date amount to \$164.20.

**20** Received a letter from Henry Watson of Dayton, Ohio, stating that three stoves recently sold him on terms  $\frac{3}{10} \frac{1}{30}$  were received in a damaged condition; he offers to return them or to keep them at a reduction of 20% from the invoice price which was \$138. Accepted his 20% proposition. [Entry had been made for the sale when goods were shipped.]

**24** Received from H. B. Stevens his 60-day note, dated April 20, in full settlement of his account of \$650. Discounted this note at the Third National Bank and received credit for the proceeds.

**28** Received a letter from Brown Bros. & Co. of Schenectady, N. Y., stating that their bookkeeper overcharged us \$21.50 on our recent invoice and inclosing a credit memorandum for that amount. Our entry for the purchase had already been made.

**30** Received Henry Watson's check for balance of invoice (transaction of April 20), less 3% discount.

**May 1** Purchased from J. B. Bates & Co., Geneva, N. Y., terms  $1/10$   $n/30$ , invoice of goods amounting to \$286.50.

**2** Drew at 30 days' sight in our own favor on Milford Manufacturing Co., Akron, Ohio, for \$636, the amount of an invoice shipped them March 27. Mailed draft to them for acceptance.

**4** Received a notice from the Lincoln National Bank that our 60-day note for \$520, in favor of the Sterling Heater Co., Buffalo, N. Y., which had been left with the bank for collection, is due to-day. Sent a check by messenger to take up the note.

**6** Received draft drawn on May 2, with acceptance dated May 4. Discounted this draft at our bank.

**10** Paid invoice of May 1 received from J. B. Bates & Co., less the discount, by giving our interest-bearing note at 60 days.

Make a journal entry showing just how the various columns in your books of original entry should be posted; *or*, foot all columns and prepare the books for posting in the usual manner.

#### EXERCISE 6

Use journal and cashbook. The columns required in the journal are Accts. Pay. Dr., General Dr., Accts. Rec. Cr., and General Cr.

The columns required in the cashbook are as follows: left side, Net Cash, Accts. Rec., Sales Disc., General; right side, Net Cash, Accts. Pay., Purchase Disc., General.

Make the necessary entries for the following selected transactions of the business of Hartley Brothers, Inc., Boston, Mass. [60]

**July 1, 19—** The cash account in the general ledger showed a balance of \$1465.80.

**2** Received from the Cortland Cement Co. one car plaster, invoice dated June 7, terms  $2/30$   $n/60$ , \$365.75.

2 Paid the Boston & Maine Railroad Co. freight on the Cortland Cement Co's shipment of June 7, \$60, which, according to the terms of this purchase, is to be charged to the Cortland Cement Co.

3 Paid the Virginia Lumber Co. our three months' note of April 3, \$425, with interest at 6%.

5 Paid the Louisiana Cypress Co. invoice of June 26, \$212.56, less 2%.

5 Paid bill of June 15 for stationery \$45.78.

6 Issued check for weekly pay roll \$478.65.

8 Received checks in settlement of the following: Oliver Davidson, invoice of June 8, \$235, less 2%; the New York Construction Co., invoice of June 29, \$342.60, less 3%; Robert W. Manley, on account, \$250.

8 Paid the Cortland Cement Co's invoice of June 7.

9 Received from H. Barber & Co. their 60-day note, dated June 29, for invoice of that date \$275.

10 Made the following sales:

J. H. Case & Son, 50 M red cedar shingles @ \$4.45; 10,000 feet N. C. pine @ \$48 per M; terms  $\frac{2}{10}$   $\frac{n}{30}$ .

Fairchild Lumber Co., 20 tons marble cement @ \$22.50; terms cash, less 3%.

11 Received from the Fairchild Lumber Co. their check for invoice of July 10.

12 Received from the Sullivan Building Co. their 60-day interest-bearing note of June 20, for invoice of that date \$245.50.

13 Gave the Fall River Lumber Co. our two months' note, dated June 28, for invoice of that date \$454.50.

13 Issued check for weekly pay roll \$465.25. Paid postage, car fares, and petty expenses \$18.74.

13 Discounted note of the Sullivan Building Co. of June 20 at the Bank of New York and received credit for the proceeds.

15 Received through the First National Bank the Louisiana Cypress Co's invoice of July 1 for \$814.40, with their 90-day trade acceptance of the same date and amount, which we accepted.

Rule and foot the cashbook and show the totals in the form of a journal entry. Close the journal.

#### EXERCISE 7

Use journal, cashbook, sales journal, and purchase journal.

The columns required in the journal are Accts. Pay. Dr., General Dr., Accts. Rec. Cr., and General Cr.

The columns required in the cashbook are as follows: on the debit side, Net Cash, Accts. Rec., Disc. on Sales, and General; on the credit side, Net Cash, Accts. Pay., Disc. on Pur., Expense, and General.

Make the necessary entries for recording the following transactions:

**May 1, 19—** C. W. Harkins, wholesale grocer, has this day formed a partnership with T. J. Burke to carry on the same business in Richmond, Va., under the firm name of Harkins & Burke.

Each partner is to invest an equal amount in the business. The new firm is to assume all the liabilities of C. W. Harkins. Losses and gains are to be shared equally.

C. W. Harkins brings into the business the following assets and liabilities of his former business:

Cash \$12,960; merchandise \$9540.50; furniture and fixtures \$925; expense (insurance prepaid) \$175; accounts receivable (per schedule A below) \$2376; notes payable (note in favor of S. Barker, dated March 1, at three months, with interest at 6%) \$1300; accrued interest to date on S. Barker's note \$13; accounts payable (per schedule B below) \$1966.50.

*Schedule A      Accounts receivable*

Gorham & Co., Raleigh, N. C.	\$ 500
Richard White, Baltimore, Md.	1876
	<u>\$2376</u>

*Schedule B      Accounts payable*

A. Hoffman, Norfolk, Va.	\$1297
Arthur Kelly, Columbia, S. C.	669.50
	<u>\$1966.50</u>

T. J. Burke invests W. Griffin's 60-day note for \$4500 (dated March 25, with interest at 6%), accrued interest to date on Griffin's note \$27.75, and cash necessary to equalize his partner's interest in the business.

**May 1** Bought of Sales Bros., Rochester, N. Y., invoice dated May 1, terms  $\frac{6}{10}$   $\frac{n}{60}$ : 15 bbl., 4500 lb, B sugar @ 3¢; 25 bags, 3125 lb, R coffee @ 25¢.

**2** Paid cash for advertising \$85.

**3** Sold Thomas Fleming, City, terms  $\frac{2}{5}$   $\frac{n}{30}$ : 15 bx., 600 lb, C codfish @ 9¢; 20 bbl., 1000 gal., N. O. molasses @ 30¢.

**4** Discounted at 6% W. Griffin's note invested by T. J. Burke and received credit for the proceeds at the Marine National Bank.

**5** Drew sight draft for \$669.50 on Richard White as per agreement and remitted it to Arthur Kelly in full of account.

**6** Received of Harmon & Brown, Buffalo, N. Y., invoice of this date, terms  $\frac{2}{5}$   $\frac{n}{30}$ , 500 bbl. T. & C. flour @ \$4.50.

**8** Sold to D. J. Manning, Wheeling, W. Va., terms  $\frac{2}{5}$   $\frac{n}{30}$ , 25 bbl. oatmeal @ \$6.

**8** Received from Thomas Fleming a certified check for invoice of May 3, less 2%.

9 Sent Sales Bros. a New York draft drawn on the First National Bank of New York, for invoice of May 1, less 5%. Bought by check the draft at the Marine National Bank, exchange 75¢.

10 Bought of William Anderson, Savannah, Ga., on our 60-day note with interest, 32 bbl. sweet potatoes @ \$2.25.

11 Sold David Nelson, Charlotte, Va., terms on account, 70 bx. wool soap @ \$3.

11 Paid sight draft drawn on us by Harmon & Brown for invoice of May 6, less 2%.

12 Received New York draft from D. J. Manning in payment of invoice of May 8, less 2%.

13 Gorham & Co., having failed in business, settle with their creditors for 50 cents on the dollar. Their check for \$250 is received and accepted in full settlement of their account.

15 Paid two weeks' salaries to date \$350.

Prepare the cashbook, sales journal, purchase journal, and journal for posting, and balance the cashbook. [70]

### EXERCISE 8

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr. and Accts. Rec. Cr.

The special columns required in the cashbook are as follows: on the debit side, Disc. on Sales and Accts. Rec.; on the credit side, Disc. on Pur., Accts. Pay., and Expense.

On July 1, 19—, John Clarke and George Chalmers form a partnership to carry on the coal and lumber business at Utica, N. Y., under the firm name of Clarke & Chalmers. By the terms of the agreement each partner is to invest \$25,000 to be entered in separate investment accounts. Withdrawals and profit and loss adjustments are to be entered in separate drawing accounts.



Clarke invests real estate valued at \$12,000, horses and wagons valued at \$2500, office furniture valued at \$450, J. H. Hamlin's 90-day interest-bearing note, dated June 11, for \$3500, with interest accrued to date, and cash for the remainder of his investment. Chalmers invests accounts receivable (C. R. Rush, Hamilton, N. Y., \$1560, Peter Carr & Co., Utica, N. Y., \$2750, Frank Robbins & Son, Oneida, N. Y., \$784.50), a  $5\frac{1}{2}\%$  mortgage on the property of the Union Storage Co. for \$10,000, with two months' interest accrued, and cash for the remainder of his investment.

(a) Make the opening entries for the investments of the two partners.

(b) Make the necessary entries, with proper explanations, for the following transactions:

**July 2** Purchased from The Michigan Lumber Co., Detroit, Mich., terms  $\frac{2}{10} \frac{1}{30}$ , two carloads of hardwood lumber invoiced at \$6784.50.

**3** Purchased from Morris Coal Co., Scranton, Pa., terms sight draft in 10 days, eight carloads of anthracite coal invoiced at \$1462.75.

**3** Paid for insurance on coal and lumber sheds \$74.25; for bill of office supplies \$25.60.

**5** Sold C. A. Somers, on account, 10 tons of coal @ \$6.75.

**7** Purchased from John Miller & Co., Buffalo, N. Y., terms  $\frac{1}{15} \frac{2}{60}$ , an invoice of lumber amounting to \$5310.

**8** Received C. R. Rush's 30-day note for balance of account due.

**10** Sold the Utica Contracting Co. a bill of lumber amounting to \$2675 and received their 30-day sight draft accepted by A. K. Miller, New York, for \$1000 to apply on account.

**12** Remitted to The Michigan Lumber Co. a check in payment of invoice of July 2, less the discount.

12 Received check from C. A. Somers for bill of July 5.

14 Paid Morris Coal Co's sight draft presented to-day for invoice of July 3.

16 Sold J. H. Parsons, terms  $1\frac{1}{5}$   $n/30$ , a bill of assorted lumber \$345.75; William Rogers, on his 30-day note, a bill of coal and lumber \$1675.

16 Purchased a lot of ground for \$5000, the vendor accepting a first mortgage for half the purchase price. Gave a check in payment for balance due. Legal expenses amounting to \$15.75 were paid in cash.

17 Purchased from The Michigan Lumber Co. a bill of lumber amounting to \$3760 and gave in payment a 60-day note for \$2000, balance on account.

18 Accepted J. H. Hamlin's offer to prepay his note of June 11, with interest accrued to date, and received his check in payment.

21 Received J. H. Parsons's check for bill of July 16, less the discount.

22 Discounted the firm's two months' note for \$5000 at the City National Bank and received credit for the proceeds.

22 Remitted check in payment of John Miller & Co's invoice of July 7, less the discount.

25 Accepted a 30-day draft for \$500 drawn on the firm by The Michigan Lumber Co., to apply on account.

28 Paid freight bills (on purchases) accumulated for the month \$225.

31 Paid salaries and wages \$160, stable expense \$37.50, miscellaneous expenses \$25.70.

31 Each partner withdrew \$150 in cash.

(c) Prepare the cashbook, sales journal, purchase journal, and journal for posting, and balance the cash-book.

(d) Post and take a trial balance. [80]

## EXERCISE 9

Use journal, cashbook, purchase journal, and sales journal.

The columns required in the journal are Accts. Pay. Dr., General Dr., Accts. Rec. Cr., and General Cr.

The columns required in the cashbook are as follows: on the debit side, Net Cash, Disc. on Sales, Accts. Rec., and General; on the credit side, Net Cash, Disc. on Pur., Accts. Pay., and General.

On January 1, 19—, Henry Fairley and Francis King, trading as Henry Fairley & Co., New York City, wholesale dry goods merchants, dissolve partnership by mutual agreement. By the terms of the agreement Mr. Fairley, who expects to continue the business in his own name, takes over all the assets of the firm and assumes the liabilities. Mr. King agrees to take a six months' note for his share of the partnership settlement. The balances of the general ledger accounts are accepted as the basis for the settlement. They are as follows:

Cash \$4410.90; merchandise \$14,928.62; furniture and fixtures \$1682; accounts receivable (per schedule A below) \$5897.56; notes receivable (per schedule B below) \$3842; accounts payable (per schedule C below) \$3671.40; notes payable (per schedule D below) \$12,000; accrued interest on notes payable \$22.22; Henry Fairley \$7533.73; Francis King \$7533.73.

*Schedule A      Accounts receivable*

William A. White, Toledo, O.	\$2486.50
Scranton Dry Goods Co., Scranton, Pa.	1540.26
James Young, Ithaca, N. Y.	1870.80
	<u>\$5897.56</u>

*Schedule B      Notes receivable*

William A. White's 60-day note of Nov. 4	\$1800
The Allison Co's draft at 90 days' sight, accepted Dec. 4	2042
	<u>\$3842</u>

*Schedule C      Accounts payable*

G. B. Anderson & Son, New York	\$2500
The Tipton Manufacturing Co., Manchester, Eng.	1171.40
	<u>\$3671.40</u>

*Schedule D      Notes payable*

Note in favor of Colonial National Bank, dated Dec. 15, on demand, with interest at 5 %	\$10000
Note in favor of G. B. Anderson & Son, dated Nov. 13, at two months	2000
	<u>\$12000</u>

**January 2** Mr. Fairley received a bill of sale for Mr. King's share and executed a note in Mr. King's favor according to the agreement.

As bookkeeper for Mr. Fairley, make the journal entry necessary to show the assets and liabilities, including the note issued to Mr. King, with which he begins business. [A new set of books is used.]

**3** Received from William A. White check for \$1800 in payment of his note due to-day.

**4** Received an invoice of goods from Eaton, Marsh & Co., Boston, Mass., terms  $\frac{3}{5}$   $\frac{n}{30}$ : 35 pc., 1610 yd., Scotch cheviot @ 45¢; 28 pc., 816½ yd., fancy cashmere @ \$1.35.

**6** Sold E. H. Peterson, Johnstown, N. Y., terms 30-day trade acceptance: 5 pc., 181 yd., N velvet @ \$1.85; 25 gross C buttons @ \$3.25.

**8** Received James Young's check for balance of account due.

**9** Remitted to Eaton, Marsh & Co. a check in payment of invoice of January 4, less the discount.

**11** Mr. Fairley makes an additional investment of \$6000 cash.

**13** Remitted to G. B. Anderson & Son a check in payment of note due to-day.

13 Bought of Smith & Mason, New York, 150 pc. black ribbon @ \$3.65, and issued a 30-day note in payment.

18 Discounted The Allison Co's draft at the Colonial National Bank and received credit for the proceeds.

19 Paid Mr. King \$2533.73 by check in part payment of note in his favor.

22 Sold Scranton Dry Goods Co., on account, 5 pc., 186 yd., Scotch cheviot @  $62\frac{1}{2}\text{¢}$ .

25 William A. White settled for balance due on account \$2486.50, less 2%, with his 60-day note for \$1000 and his check for the balance.

29 Returned to G. B. Anderson & Son a small lot of damaged goods invoiced at \$38.72.

31 Paid by check interest to date on note in favor of the Colonial National Bank.

31 Paid miscellaneous expense items \$296.50.

Prepare the cashbook, sales journal, purchase journal, and journal for posting, and balance the cashbook. [The mere footing of columns is not sufficient.] [70]

#### EXERCISE 10

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr. and Accts. Rec. Cr.

The special columns required in the cashbook are as follows: on the debit side, Disc. on Sales and Accts. Rec.; on the credit side, Disc. on Pur. and Accts. Pay.

On July 1, 19—, the cashbook of The Greenfield Co., Providence, R. I., wholesale clothing dealers, shows a balance of \$4396.50.

(a) Under date of July 1, enter the cash balance in the cashbook and make, with proper explanations, the necessary entries for the following selected transactions:

July 3 Sold Henry Tomlinson, City, terms 30-day trade acceptance, a bill of goods amounting to \$493.58.

5 Purchased from New York Clothing Co., New York City, terms  $2/10$   $n/30$ , an invoice of goods amounting to \$3356.70.

6 Received William Morley's check in payment of a bill of goods amounting to \$537.40, sold to him on June 9, terms  $3/10$   $1/30$ .

7 Made the necessary correction entry for an overcharge of \$30 in bill rendered to L. K. Brown & Co., City, on June 28.

8 Received Henry Tomlinson's acceptance, dated July 3, for bill of July 3.

10 Issued dividend checks for 10% dividend declared for the year ending June 30. [Capital stock outstanding \$20,000.]

15 Discounted at the Electric National Bank Henry Tomlinson's acceptance of July 3 and received credit for the proceeds.

15 Borrowed \$3000 at the bank on our 10-day interest-bearing note.

15 Sent check to New York Clothing Co. for invoice of July 5.

16 Purchased from Rochester Clothing Co., Rochester, N. Y., an invoice of clothing amounting to \$12,500, terms \$2500 cash, \$6000 note at 60 days, \$4000 note at 90 days.

17 Remitted to Rochester Clothing Co. the check and the notes required in transaction of July 16.

19 Paid miscellaneous expense items \$36.38.

20 Received from R. K. Reynolds, Utica, N. Y., check for \$1321.21 in payment of \$600 note due to-day and of bill of June 22 for \$728.50, less 1%.

23 Sold A. R. Colson & Co., Newport, R. I., on account, bill of goods amounting to \$461.30.

25 Paid interest due on mortgage \$125.

26 Bought of D. A. Rollins, City, on account, bill of office furniture amounting to \$260.

28 Shipped to Charles Burns, Fort Wayne, Ind., to

be sold on our account, goods costing \$550. Prepaid freight \$3.60.

29 Received from Frank Dolson, assignee, check for \$361.40, payment in full of our claim of \$903.50 against Harrison & Walker, New Haven, Conn.

31 Gave L. K. Brown & Co. credit for the discounted value of J. M. Miller's 90-day note indorsed by them to us; face of note \$500, date of note July 17.

31 Paid office salaries \$140, freight bills on goods received \$72.60, insurance \$59.75.

(b) Rule and foot the cashbook, sales journal, and purchase journal and journalize the totals. Close the journal. [60]

### EXERCISE 11

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr., Notes Rec. Dr., Accts. Rec. Cr., and Notes Pay. Cr.

The special columns required in the cashbook are as follows: on the debit side, Accts. Rec., Disc. on Sales, and Cash Sales; on the credit side, Accts. Pay., Disc. on Pur., and Expense.

On May 1, 19—, R. M. Knowles and A. F. Hooper join as equal partners in the purchase of the wholesale dry goods business formerly conducted by Brown & Steele of Omaha, Nebr.

Brown & Steele execute a bill of sale in which appears the following list of assets and liabilities:

Merchandise \$11,314.57; furniture and fixtures \$1215; notes receivable (schedule A) \$975; accounts receivable \$5570; accounts payable \$3495.80.

#### *Schedule A Notes receivable*

30-day interest-bearing note dated April 4, William G. Barton, maker, \$525

90-day note dated April 15, Robert Scott & Co., maker, \$450

In addition the bill of sale provides that Brown & Steele are to receive \$2000 for the good will of the business.

Knowles & Hooper make settlement by a cash payment of \$12,578.77 and a six months' note, dated May 1 and bearing interest at 6%, for the remainder of the purchase price.

(a) As bookkeeper for the firm, make the opening journal entry required in the above transaction.

(b) Record, with sufficient explanations, the following selected transactions:

**May 1** Knowles and Hooper each make an additional cash investment of \$2000. This cash has been deposited in the First National Bank at which all banking business will be done. All cash received will be deposited on the day received and all payments, unless otherwise specified, will be made by check.

1 Paid Elmer Truitt for repainting signs \$25.

2 Gave check for \$50 to petty cashier to be used in making petty cash payments during the month.

2 Received from Crawford & Son, Lincoln, Nebr., check in payment of bill of April 15 for \$550, less 2% discount.

3 Received from Boyd & Snyder, Lawrence, Kan., terms 15-day acceptance, an invoice of merchandise amounting to \$1257.36. Their draft dated May 2 and payable at the First National Bank has been accepted and returned to them.

4 Made payments by bank draft as follows: William Brady for invoice of April 25, \$840.27, less 3%; West & Co. for invoice of April 30, \$940.25, less 5%. Paid exchange on drafts 55¢.

4 Sold to Quirk & Olney, Des Moines, Iowa, terms one half cash, balance 15-day note, an invoice of merchandise amounting to \$950. Their check and note dated to-day have been received.



4 Received a check from William G. Barton in payment of his note and interest due to-day.

4 Paid insurance premium \$30.50.

5 Received from H. G. Klennert, terms  $2/10$   $n/30$ , an invoice of merchandise amounting to \$218.95.

6 Paid freight on goods purchased to date \$25.90.

10 Received a letter from Quirk & Olney, stating that in our invoice of May 4 they have found a few articles not up to the standard and asking us to make them an allowance of \$50. Agreeing to this, we indorse \$50 as part payment on the note of May 4.

13 Sold L. M. Plunkett, Cairo, Ill., terms  $2/10$   $n/30$ , an invoice of merchandise amounting to \$1147.30.

13 Sent check to H. G. Klennert in payment of his invoice of May 5, less the discount.

13 Discounted Robert Scott & Co's note of April 15 at our bank and received credit for the proceeds.

15 Made cash sales amounting to \$345.90.

15 Paid office salaries \$75.

18 Received notice from the First National Bank that our acceptance in favor of Boyd & Snyder has been paid and charged to our account.

19 Received from Quirk & Olney a check in payment of the balance due on their note of May 4.

20 Robert Lear, one of our regular customers, recently remitted to us a check in payment of a bill amounting to \$358.90. He neglected at the time to deduct from his remittance the 2% discount to which he was entitled and he now calls our attention to the oversight. We credit him for the amount of the discount and send him a credit memorandum.

20 Made cash sales amounting to \$215.40.

22 Hill & Warren, dealers in office supplies, send in the following bill for goods furnished to date: 1 typewriter \$75; 1 office desk and chair \$45; paper baskets, inkstands, etc. \$15. We credit their account for the amount of the bill.

31 The petty cashier presents vouchers for the following cash payments made by him:

Postage, stationery, etc.	\$19.50
Cleaning offices	5
Messenger boy	2.50
Telegrams	7.95

Issued a check to restore the petty cash fund to its original amount.

(c) Foot and rule the books of original entry and indicate how footings should be posted. [Do not post.] [70]

#### EXERCISE 12

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr., Notes Rec. Dr., Accts. Rec. Cr., and Notes Pay. Cr. General columns are also required.

The special columns required in the cashbook are as follows: on the debit side, Accts. Rec. and Disc. on Sales; on the credit side, Accts. Pay., Disc. on Pur., and Expense. Net Cash and Sundries columns are also required.

On July 1, 19—, Arthur Whitby, Los Angeles, Cal., wholesale dealer in stationery and office supplies, forms a partnership with J. L. Stimson in order to secure additional working capital. The partnership agreement provides (a) that the firm shall be known as Arthur Whitby & Co., (b) that Whitby's present worth as shown by the balance sheet of June 30 shall determine the amount of Stimson's investment, (c) that gains and losses are to be shared equally, (d) that Whitby is to be allowed a drawing account of \$200 monthly and Stimson a drawing account of \$150 monthly. The books are properly closed on June 30 and continued as the books of the partnership. The accounts show Whitby's present worth to be \$9762.75.

Stimson's investment is made up of 25 shares of Central Railway stock put in at an agreed value of

\$104 a share, A. F. Farnham's three months' interest-bearing note, dated May 15, for \$2000, with accrued interest to date, and cash for the remainder.

(a) Under date of July 1, enter the cash balance of \$1896.17 brought over from June 30, and make the required entry for Stimson's investment.

(b) Make the necessary entries, with proper explanations, for the following transactions:

July 3 Received the following: A. R. Garson's check for \$125 to apply on account; John McCarthy's 10-day acceptance, dated July 1, for \$395.17, balance due on account.

5 Purchased from the Detroit Furniture Co., Detroit, Mich., terms sight draft in 10 days, an invoice of office furniture amounting to \$1489.50.

7 Two desks costing \$55 each and a filing cabinet and supplies costing \$82.50 have been taken from stock for office use.

8 Paid miscellaneous expenses \$32.50. Cash sales \$262.50.

10 Received H. R. Cain's check in payment of a bill of goods amounting to \$238.75, sold to him on June 12, terms  $\frac{3}{10} \frac{1}{30}$ .

12 The Tenth National Bank, holding Whitby's 60-day note, dated June 20, for \$1500, has agreed to our offer to prepay the note, less the discount for the unexpired time. Gave the bank our check for the correct amount.

13 Sold the Union Trust Co., City, terms  $\frac{4}{10}$ : office desks and chairs \$265.25; filing cases and supplies \$163.75; stationery \$83.85.

15 Discounted at the Tenth National Bank A. F. Farnham's note and received credit for the proceeds. Stimson transferred to the firm a dividend check for \$43.75, which he received from the Central Railway Co.

17 Three desks invoiced at \$157.50 have been returned by the Union Trust Co. as unsuitable. The

required credit memorandum was made out and mailed.

17 The Tenth National Bank presented a sight draft of the Detroit Furniture Co. for the amount of invoice of July 5. We instructed the bank to charge the same to our account.

18 Made settlement by certified check with Henry L. Childs for the purchase of the store property at a purchase price of \$15,000. A 5% first mortgage for \$10,000 held by the Union Trust Co. is left standing on the property.

22 Received check from the Union Trust Co. in payment of bill of July 13, less the discount. Cash sales \$439.45.

24 Sold M. R. Miller & Co., Fresno, Cal., terms on account, bill of office supplies amounting to \$57.65.

27 Received from Longman & Kennedy, New York City, terms one half cash, one half 60-day trade acceptance, an invoice of stationery amounting to \$586.30. Mailed the check and acceptance to-day.

31 Credited City Carting Co. for monthly bill for freight and cartage \$138.42, of which amount \$116.75 was for freight and cartage on incoming goods, the balance for local deliveries. Each partner withdrew by check his full monthly allowance.

(c) Foot and rule the books of original entry and indicate how footings should be posted. [70]

### EXERCISE 13

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr., Notes Rec. Dr., Acts. Rec. Cr., and Notes Pay. Cr.

The special columns required in the cashbook are as follows: on the debit side, Accts. Rec., Disc. on Sales, and Sales; on the credit side, Accts. Pay., Disc. on Pur., and Expense.

M. J. Phelps of Albany, N. Y., wholesale dealer in dry goods, closes his books at the end of November, 19—, and finds that his assets and liabilities are as follows:

*Assets:* Cash on deposit in Bank of Commerce \$1298.16; merchandise as per inventory \$12,906.18; notes receivable \$2496.24; accounts receivable \$4875.50; furniture and fixtures \$895; accrued interest on notes receivable \$4.83.

*Liabilities:* Notes payable \$1500; accounts payable \$3687.43; interest accrued on notes payable \$1.28.

Among the assets are the following:

*Notes receivable*

An interest-bearing note dated Nov. 20, payable in one month, Samuel Barker, maker, \$1000

60-day note dated Nov. 15, R. M. Peters, maker, \$525

*Accounts receivable*

L. M. Lester, Schenectady, N. Y., \$840 (invoice dated Nov. 21, terms  $\frac{2}{10}$  n/30)

A. K. Dunning, Buffalo, N. Y., \$945.16 (invoice dated May 1, terms  $\frac{3}{10}$  n/60)

Among the liabilities are the following:

*Notes payable*

30-day interest-bearing note dated Nov. 20, in favor of Ward & Howe, Syracuse, N. Y., \$700

Three months' note dated Nov. 1, in favor of the Bank of Commerce, Albany, N. Y., \$800

*Accounts payable*

Francis Bros., New York, N. Y., \$1525 (invoice dated Nov. 15, terms  $\frac{2}{30}$  n/60)

Howard & Jones, Rochester, N. Y., \$1422.23 (invoice dated Nov. 25, terms  $\frac{1}{20}$  n/60)

Edwards & Hemming, Watertown, N. Y., \$740.20 (invoice dated Nov. 30, terms n/30)

On December 1 Phelps admits William Harrison as an equal partner, the new firm to be known as Phelps & Harrison. Harrison invests an amount equal to Phelps's net investment, paying one half in cash and giving his two months' note, dated December 1, for the balance.

(a) Assuming that a new set of books is opened, make the entries for the foregoing facts.

(b) Record the following selected transactions for the month of December:

**December 2** Received from L. M. Lester a New York draft in payment of his invoice of November 21, less the discount.

**4** Received from E. C. Roberts, Newburg, N. Y., terms one half cash, balance 15-day interest-bearing note, an invoice of goods amounting to \$2195.48. The proper remittance has been made accordingly.

**6** Paid by check the following bills: rent \$125; office supplies \$36.40; typewriter and desks \$250; insurance \$30; telephone \$5.

**6** Cash sales for the day \$225.80.

**8** Sold R. D. Langley, Rome, N. Y., terms one half cash, balance on account, a bill of goods amounting to \$840.50.

**11** A. K. Dunning failed in business and compromised with his creditors on a basis of 75¢ on the dollar. In accordance with this agreement we received his check in payment of his invoice of May 1.

**12** Sent a check to Howard & Jones in payment of their invoice of November 25, less the discount.

**13** Received Langley's check for the cash payment required in sale of December 8.

**15** We accepted and returned to Francis Bros. their draft at 10 days' sight in payment of their invoice of November 15, less the discount.

**19** Sent E. C. Roberts a check in payment of our note and interest due to-day.

20 Received from Ames & Wallace, Rochester, N. Y., terms  $\frac{n}{10}$ , an invoice amounting to \$1254.16.

20 Received from Samuel Barker a letter inclosing our note of November 20, in favor of Ward & Howe and indorsed by them to Barker. He asks us to apply this note and interest on his note of November 20 and to allow him a few days in which to pay the balance of the note. We comply with his request.

21 Prepaid by check our note of November 1, in favor of the Bank of Commerce, less the discount for the unexpired time.

22 Cash sales for the day \$164.28.

26 Sold Alexander Purdy, Herkimer, N. Y., on his 90-day trade acceptance, a bill of merchandise amounting to \$450.75.

26 Received from Ames & Wallace a letter stating that they prepaid the freight amounting to \$16.98 on their invoice of December 20, but neglected to add the freight to the invoice. We credit them for the amount of the freight.

26 Sent check to Edwards & Hemming in payment of their invoice of November 30.

30 Sent check to Ames & Wallace in payment of their invoice of December 20, including the freight that they prepaid.

(c) Foot and rule the books of original entry and indicate how footings should be posted.

(d) Post the entries made and take a trial balance.  
[80]

#### EXERCISE 14

The Morgan Mitchell Company manufacture doors, sash and interior woodwork. They operate three ledgers; namely, customers', creditors', and general. Their main cashbook has the following rulings: left page, Net Cash, Accounts Receivable, Interest and Discount, General Ledger; right page, Net Cash,

Accounts Payable, Purchase Discount, General Ledger. All cash receipts are deposited in the bank. A petty cash fund of \$100 is maintained, from which all currency payments are made. These payments are recorded and distributed in a petty cashbook with special columns. At the end of each week the petty cashbook is footed and closed and the footings are brought into the main cashbook.

On June 1, 19—, the amount on deposit in the Bank of the Republic is \$7643.28 and the petty cash fund is \$100.

(a) Under date of June 1, enter the cash balance in a cashbook with rulings as described above.

(b) Make, with proper explanations, the necessary entries for the following cash transactions:

**June 1** Paid the West Virginia Lumber Co. for invoice of May 18, car 243,867, \$456.85, less 2% discount and less freight \$145.22.

**2** Discounted at the Bank of the Republic Brown Brothers' two months' note of May 29 for \$500 and received credit for the proceeds.

**2** Received of the Lawson Contracting Co. \$450 to apply on account.

**2** Drew a check to cover the weekly pay roll \$1864.95.

**2** Drew a check for petty cash vouchers \$86.57, distributed as follows: delivery expense \$34.25; shop expense \$29.18; office expense \$12.75; selling expense \$4.29; accounts receivable (J. & M. Parks) \$6.10.

**4** Paid the Central Railroad Co. their weekly freight account \$463.82. This payment was charged as follows: West Virginia Lumber Co., car 243,867, \$145.22; Pacific Lumber Co., car 197,658, \$254.80; Carter & Williams, car 251,897, \$63.80.

**6** Paid the Bank of the Republic \$1000 to take up the Hudson Contracting Co's two months' note



of April 6 which we had previously discounted and which the maker is unable to pay.

6 Received of the Hudson Contracting Co. their two months' note for \$1000, dated to-day, and their check for two months' interest on that amount.

7 Sold James Whitcomb, for cash, an invoice of lumber \$35.46.

7 Gave the Richmond Lumber Co. our check for invoice of May 18, car 293,416, \$484.12, less 3% discount.

9 Drew a check for the weekly pay roll \$1871.40.

9 Drew a check for petty cash vouchers \$93.17, distributed as follows: delivery expense \$19.80; shop expense \$28.10; office expense \$18.42; selling expense \$26.85.

(c) Summarize and close the cashbook and journalize the summary for posting. [Do not post.] [50]

### EXERCISE 15

Use journal, cashbook, sales journal, and purchase journal.

The special columns required in the journal are Accts. Pay. Dr. and Accts. Rec. Cr.

The special columns required in the cashbook are as follows: on the debit side, Accts. Rec. and Disc. on Sales; on the credit side, Accts. Pay. and Disc. on Pur.

O. P. Henderson, Louisville, Ky., wholesale dealer in men's and women's shoes, closes his books and finds that his present worth is \$10,000. In order to secure more capital and to extend his business he decides to incorporate. Accordingly a corporation to be known as the Louisville Shoe Co., with a capital stock of \$20,000, is organized. Henderson is allowed 100 shares, par value \$100 each, for which he transfers to the new firm all of the assets and liabilities of his former business. The remaining 100 shares are subscribed for by outside parties and paid for in cash.

The company decides to continue the use of the books of the old business.

(a) Under date of October 1, 19—, enter in the cashbook the cash balance from the former business amounting to \$2541.80, and make such entries as are necessary to change the books from those of a single proprietorship to those of a corporation.

(b) Make, with sufficient explanations, the necessary entries in the proper books for the following additional transactions of the new company:

**October 2** Issued checks in payment of the following bills: [All of the banking business of the company will be transacted at the Merchants National Bank.]

B. M. Grayson's bill for October rent \$250; Modern Office Supply Co's bill for additional typewriters and other office furniture just received \$500; A. G. Wright's bill for attorney's fees for advice in effecting new organization \$15.

A check for \$50 is also issued in favor of the petty cashier to be used in making petty cash payments.

5 Received from Howard & Bell, Amsterdam, N. Y., an invoice of shoes amounting to \$1594.75, dated October 2, terms  $2/10$   $n/30$ .

7 Received notice from the Merchants National Bank that a check in our favor for \$75 given to us by A. B. Pruitt of Buffalo, N. Y., and afterward deposited by us in the Merchants National Bank has been returned unpaid by the bank on which it was drawn, with the statement that Pruitt had no funds in the bank. The Merchants National Bank has charged the check back to our account.

8 Sold A. C. Long, Frankfort, Ky., terms sight draft bill of lading attached, an invoice of shoes amounting to \$215.85. Left sight draft with bill of lading at the Merchants National Bank for collection.

10 Received a letter from L. M. Brewster, Memphis, Tenn., one of our customers, stating that he has sold

his business, and that his successor, F. G. Bills, has assumed his liabilities. Brewster owed us \$87.50. The transfer of the debt being satisfactory to us, we made an entry to adjust the accounts on our books.

12 Sent Howard & Bell a New York draft for the amount of their invoice of October 5, less the discount.

13 Received from Robert Sullivan, one of our traveling salesmen, the following statement: commission on sales to date \$150; traveling expenses \$87.50. Make the proper entry.

14 Received from Case & Hart, Lynn, Mass., an invoice of shoes amounting to \$254.75, dated October 10, terms 10-day trade acceptance of the same date. Accepted the draft and returned it to them.

15 Received notice from the Merchants National Bank that the draft on A. C. Long, left for collection on October 8, has been collected and proceeds placed to our credit.

16 Sold Hardy & Platt, Lexington, Ky., terms  $2\frac{1}{15}$   $^n/30$ , an invoice of shoes amounting to \$425.35.

17 Received from Grady & Son, Charleston, W. Va., a 30-day note for \$145, dated October 15, in settlement of their account. Discounted the note at our bank and received credit for the proceeds.

20 Paid our acceptance of October 10 by check.

21 Received from Hardy & Platt a New York draft in payment of their invoice of October 16, less the discount.

25 Received notice from the Merchants Collection Agency that a note for \$237 which we held against T. D. Sawyer and which we had placed in the hands of the agency for collection has been collected. They charged 10% for collecting and remitted proceeds by check.

31 The petty cashier hands in vouchers for the following petty cash payments and receives a check for the total amount:

Cleaning office	\$2.50
Postage stamps	5
Subscription to <i>Shoe and Leather Gazette</i>	3
Office supplies and stationery	7.85
Donation to city mission	5

(c) Rule and foot the cashbook, sales journal, and purchase journal and journalize the totals. Close the journal. [70]

## EXERCISE 16

Use journal, cashbook, and sales journal as the books of original entry. The voucher register is kept by an assistant who will furnish at the end of the month the totals necessary for posting to the general ledger.

The columns required in the journal are Notes Rec. Dr., General Dr., Accts. Rec. Cr., and General Cr.

The columns required in the cashbook are as follows: on the debit side, Net Cash, Disc. on Sales, Accts. Rec., and General; on the credit side, Net Cash, Disc. on Pur., Vouchers Pay., and General.

On June 30, 19—, the books of the Hamilton Jobbing Co., Gloversville, N. Y., wholesale dealers in gloves and leather goods, were closed, and the balances of the general ledger accounts beginning with July 1 were as follows: cash \$4621.92; merchandise inventory \$19,243.10; real estate \$22,100; furniture and fixtures \$1820; accounts receivable (per schedule A below) \$6116.13; notes receivable (per schedule B below) \$4000; interest and discount (accrued on notes receivable) \$8.50; vouchers payable \$17,800.15; mortgage payable \$15,000; capital stock \$20,000; surplus account \$5109.50.

*Schedule A Sales ledger balances*

Henry Adams, Philadelphia, Pa.	\$ 216.50
Chas. Ellis & Co., Auburn, N. Y.	1427.80
Middleton Glove House, Cleveland, Ohio	3629.45
Daniels & Osborne, Newark, N. J.	96.38
The Seward Co., Harrisburg, Pa.	746
	<u>\$6116.13</u>

## BOOKKEEPING EXERCISES

*Schedule B      Notes receivable*

George Mercer's note at two months, with interest at 6%, dated May 27	\$1500
The Seward Co's 90-day trade acceptance dated June 15	2500
	<u>\$4000</u>

(a) Using the accounts and their respective balances given above, prepare the ledgers and the cash-book for a continuation of the business from July 1.

(b) Record the following transactions for the month of July:

July 2 Sold Daniels & Osborne a bill of goods subject to  $1\frac{1}{2}\%$  discount in 30 days, \$426.40.

5 Received 60-day note for \$1200 from Middleton Glove House, to apply on account.

6 Paid voucher No. 1810 by check in favor of Marshall Manufacturing Co. for invoice of assorted leather goods \$1762.50, less 2% discount.

8 Forwarded credit memorandum to Daniels & Osborne for shortage of \$28.70 in bill of July 2.

9 Discounted The Seward Co's 90-day trade acceptance at the First National Bank and received credit for the proceeds.

10 Drew on Henry Adams at sight for balance due and received credit for the draft at First National Bank.

12 Sold Wilson & Martin, Buffalo, N. Y., a bill of goods amounting to \$2412.60, less 3%, and received their 30-day note for \$1500 and check for the balance.

13 Cash sales \$147.50. Paid voucher No. 1809 in favor of Smith & Peterson, New York, \$1646.15.

15 Received a charge slip from the bank for dishonored draft of Henry Adams.

18 Discounted our two months' note for \$5000 at the First National Bank and received credit for the proceeds.

20 Sold The Seward Co. goods as per invoice, terms  $1\frac{1}{5}$  n/30, \$716.10. Cash sales for the day \$62.15.

22 Paid voucher Nos. 1814 and 1817 for \$4162 and \$165.78 respectively.

24 Received from The Seward Co. check for amount of invoice of July 20, less the discount.

25 Received Chas. Ellis & Co's 30-day acceptance for \$1000, to apply on account.

27 George Mercer paid his note due to-day.

31 Make an entry in the journal for the following totals taken from the voucher register: merchandise purchases \$1786.14; supplies \$42.10; salaries and wages \$265; horse and wagon expense \$38.74; repairs \$145; office expense \$16.25; taxes and insurance \$137.52; general expense \$29.95.

(c) Prepare the books of original entry for posting and balance the cashbook.

(d) Make the necessary postings and take a trial balance.

(e) Prepare a schedule to support the balance of Accounts Receivable account. [90]

#### EXERCISE 17

Use journal, cashbook, and accounts payable register.

The special columns required in the journal are Contract Ledger Dr. and Contract Ledger Cr.

The special columns required in the cashbook are Disc. on Pur. and Accts. Pay. on the credit side.

The special columns required in the accounts payable register for the distribution of invoices are Contract Ledger, Materials and Supplies, Expense, and Sundries.

On July 1, 19—, the books of the Rochester Contracting Co. showed in part the following data: cash on hand \$16,283.75; notes receivable \$9000, consisting of R. T. Jefferson's three months' note for \$5000, with interest at 5%, dated April 15, and Seneca Real Estate Co's 30-day note for \$4000, dated June 17; amount due

from Smith & Durkin on completed contract \$3500; materials and labor charged to contracts in process (Johnson & Co. contract \$1672.80, W. A. Wallace contract \$3965); demand note outstanding for \$10,000, dated May 1, in favor of Genesee Trust Co., rate of interest  $5\frac{1}{2}\%$ .

(a) Enter the cash balance in the cashbook under date of July 1.

(b) Make the necessary entries, with proper explanations, for the following transactions:

**July 2** Purchased from the Lawrence Cement Co., Buffalo, N. Y., terms  $\frac{2}{10} \frac{1}{30}$ , materials for Johnson & Co. contract \$583.75.

**3** Received contract from Marshall Building Co. for \$8000.

**6** Purchased from J. R. Thomas, City, on account, materials and supplies for general stock \$2650.

**8** Charged W. A. Wallace contract for materials taken from general stock \$367.40.

**9** Received from Smith & Durkin their check for \$2000 and their 30-day note for \$1500 in payment of balance due on account.

**10** Purchased from Williams Hardware Co., City, on account, invoice of hardware amounting to \$2632.45, distributed as follows: Marshall Building Co. contract \$1100; W. A. Wallace contract \$248; materials and supplies \$902.70; tools and equipment \$381.75.

**11** Paid the Lawrence Cement Co. invoice of July 2, less the discount.

**13** Returned to J. R. Thomas materials included in invoice of July 6, \$163.25.

**15** Received R. T. Jefferson's check for note and interest due to-day.

**16** Paid Williams Hardware Co. \$1500 on account.

**17** Received from Seneca Real Estate Co. their 30-day note for \$3000 and check for \$1000 in payment of note for \$4000 due to-day.

18 Paid Genesee Trust Co. note of May 1, with interest.

20 Paid \$125 for repairs made to equipment.

21 Distributed the pay roll for first half of month as follows: Johnson & Co. contract \$389.40; Marshall Building Co. contract \$583.75; W. A. Wallace contract \$1842.60; office salaries \$175; expense \$26.50; total \$3017.25.

22 Drew check for amount of pay roll.

24 Transferred materials and supplies valued at \$465.35 from W. A. Wallace contract to Marshall Building Co. contract.

27 Charged W. A. Wallace for \$7000 the contract price (contract being completed and accepted by Mr. Wallace).

30 Sold for cash materials valued at \$225.

(c) Prepare the books of original entry for posting and balance the cashbook. [Note that posting of the entries is not required.] [70]



## FINANCIAL STATEMENTS<sup>1</sup>

### EXERCISE 1

From the following trial balance and inventories, construct a profit and loss statement for the three months ending April 30: [20]

#### *Trial Balance, April 30, 19—*

A. R. Miles, capital		\$ 5250
A. R. Miles, drawing	\$ 250	
W. P. Jones, capital		6750
W. P. Jones, drawing	300	
Mdse. inventory, Jan. 1	12087.13	
Purchases	8540.27	
Returned purchases		240.60
Sales		15027.90
Returned sales	90.56	
Freight inward	325.90	
Advertising	495	
Sales discount	323.64	
Purchase discount		259.40
Wages	1500	
Rent	850	
General expense	780.97	
Interest and discount	85.33	
Office equipment	950	
Notes receivable	540	
Accounts receivable	1096.40	
Accounts payable		1349.50
Notes payable		750
Cash	1412.20	
	<u>\$29627.40</u>	<u>\$29627.40</u>

<sup>1</sup> See Appendix A for model statement forms and Appendix B for directions for rating statements.

## Inventories, April 30:

Merchandise	\$12153.30
Rent prepaid	50
Wages due and not paid	85
Office equipment, book value less 3 % depreciation	

## EXERCISE 2

From the following trial balance and inventories, construct (a) a profit and loss statement for the year ending December 31, 19— [20], (b) a balance sheet as of the same date [15]:

C. E. Dickinson, capital		\$15893.40
C. E. Dickinson, personal	\$ 1200	
E. L. Gray, capital		10296.50
E. L. Gray, personal	750	
Mdse. inventory, Jan. 1	12393.45	
Purchases	13516.80	
Sales		22816.55
Returned purchases		895.40
Returned sales	1258.75	
Freight inward	750.95	
Discount on sales	1528.38	
Discount on purchases		1240.64
Traveling expenses	1185.25	
Rent	800	
General expense	3772.61	
Wages	1390	
Interest and discount		19.73
Furniture and fixtures	975	
Motor trucks	3150	
Accounts receivable	11216.80	
Notes receivable	1530	
Accounts payable		5280.45
Notes payable		1000
Cash	2024.68	
	<u>\$57442.67</u>	<u>\$57442.67</u>

## Inventories, December 31:

Merchandise on hand	\$15325.48
Accrued interest on notes receivable	26.14
Interest accrued on notes payable	12.81
Wages due and not paid	275
Motor trucks, book value less $12\frac{1}{2}\%$ depreciation	
Furniture and fixtures, book value less 8% depreciation	

## EXERCISE 3

From the following trial balance and inventories, prepare a profit and loss statement for the three months ending June 30, 19—: [20]

R. O. Scott, capital		\$13000
J. C. Robertson, capital		13000
R. O. Scott, personal	\$ 580	
J. C. Robertson, personal	600	
Cash	1916.36	
Real estate	5000	
Mdse. inventory, April 1	5152.60	
Purchases	12618.35	
Returned purchases		161.50
Sales		14341.37
Returned sales	221.50	
Discount on purchases		821.76
Discount on sales	1425.80	
General expense	2400.82	
Selling expense	1835.18	
Furniture and fixtures	1835	
Delivery equipment	554.32	
Interest and discount		72.12
Freight inward	1481.35	
Salaries	950	
Notes receivable	4690	
Accounts receivable	4644.53	
Notes payable		2346.12
Accounts payable		2162.94
	<u>\$45905.81</u>	<u>\$45905.81</u>

**Inventories:**

Merchandise	\$9259.80
Accrued interest on notes receivable	142.86
Interest accrued on notes payable	62.46
Salaries due and unpaid	48
Furniture and fixtures, book value less $2\frac{1}{2}\%$ depreciation	
Delivery equipment, book value less $2\frac{1}{2}\%$ depreciation	

**EXERCISE 4**

On December 31, 19—, the ledger of Summers & Barrett showed the following:

P. D. Summers, investment \$4500; D. B. Barrett, investment \$4500; P. D. Summers, withdrawals \$250; D. B. Barrett, withdrawals \$300; cash \$1075; merchandise inventory January 1, \$3845.87; purchases \$6397.43; sales \$7453.18; discount on purchases \$386.19; discount on sales \$483.74; collection and exchange \$43.25; general expense \$843.98; interest and discount (credit) \$27.52; rent paid \$1125; freight inward \$328; furniture and fixtures \$890; salaries \$675; accounts receivable \$1684.62; accounts payable \$1500; notes receivable \$925; notes payable \$500.

The inventories were as follows:

Merchandise	\$6974.25
Interest accrued on notes receivable	11.25
Interest accrued on notes payable	4.75
Rent due and unpaid	125

Furniture and fixtures have depreciated 10% on ledger valuation.

(a) Prepare a trial balance from the foregoing accounts. [5]

(b) Using the trial balance and the inventories, prepare the profit and loss statement for the year ending December 31. [20]

## EXERCISE 5

From the following trial balance and inventories, prepare (a) a profit and loss statement for the six months ending May 31, 19— [20], (b) a balance sheet as of May 31 [15]:

Cash	\$ 10000	
Notes receivable	10500	
Accounts receivable	35000	
Mdse. inventory, Dec. 1	6000	
Furniture and fixtures	2000	
Delivery automobiles	5000	
Real estate	25000	
Notes payable		\$ 23000
Accounts payable		11000
Purchases	95000	
Returned purchases		3250
Discount on purchases		1440
Sales		140000
Returned sales	2500	
Discount on sales	2800	
Freight inward	1650	
Advertising	2500	
General expense	8500	
Salaries and wages	6300	
Commissions	4700	
Traveling expenses	6000	
Interest and discount	520	
Insurance (one year)	420	
Reserve for bad debts		5500
A. M. Trainor, drawing account	2100	
G. H. Warner, drawing account	1700	
A. M. Trainor, capital account		22000
G. H. Warner, capital account		22000
	<u>\$228190</u>	<u>\$228190</u>

## Inventories:

Merchandise	\$ 9000
Furniture and fixtures	1800
Delivery automobiles	4500
Real estate	25000
Insurance (unexpired)	210

## EXERCISE 6

On December 31, 19—, the general ledger accounts of Yarnell & Thomas, wholesale dealers, show the following balances: H. T. Yarnell (capital) \$25,000; R. T. Thomas (capital) \$35,000; cash \$2587; notes receivable \$6500; notes payable \$8000; accounts receivable \$4748; accounts payable \$5760; merchandise inventory January 1, \$23,375; purchases \$186,372; sales \$178,367; salaries and wages \$15,659.60; rent paid \$1500; expense \$876; interest paid \$59.40; real estate \$8000; office fixtures \$450; H. T. Yarnell (private account) Dr. \$1000; R. T. Thomas (private account) Dr. \$1000.

The inventories on December 31 are as follows: goods on hand \$62,837; wages due and unpaid \$362.40; interest accrued on notes receivable \$46.36. Allow 2% of accounts receivable as a provision for possible losses and 10% of office fixtures for depreciation. The partnership agreement provides that 5% interest is to be allowed on the capital of each partner and that losses and gains are to be shared in proportion to their respective investments.

Show (a) the trial balance of the ledger for December 31 [5], (b) the profit and loss statement for the period under consideration [20], (c) the balance sheet for the beginning of the new period [15].

## EXERCISE 7

On June 30, 19—, the books of Kendall & Parsons, wholesale dealers, are closed for the year ended, on the basis of the data given below:

Cash on hand \$3540; accounts receivable \$13,750; notes receivable \$4500; accounts payable \$6250; notes payable \$2300; land \$3000; plant and equipment \$15,000; insurance and taxes \$750; salaries \$1800; wages \$14,800; general expense \$540; freight and

cartage inward \$1750; goods on hand at beginning of year \$53,600; purchases \$92,675; sales \$104,630; interest paid \$165; office furniture \$1200; reserve for bad debts \$1725; A. R. Kendall, partner, investment \$60,000, withdrawals \$1275; John Parsons, partner, investment \$35,000, withdrawals \$1560; merchandise on hand valued at \$35,820; insurance unexpired \$140; interest accrued on notes receivable \$65; depreciation on plant and equipment estimated at 5% and on furniture at  $12\frac{1}{2}\%$ ; provision for losses from bad debts estimated at  $\frac{1}{2}\%$  of sales for the year. The partners share profits in proportion to their respective capital investments.

Show (a) the trial balance of the ledger for June 30 [5], (b) the profit and loss statement for the period under consideration [20], (c) the balance sheet as of June 30 [15].

### EXERCISE 8

On June 30, 19—, the end of a six months' period, the general ledger accounts of Aiken & Watkins, wholesale merchants, show the following balances:

James Aiken (capital) \$20,000; Henry Watkins (capital) \$30,000; cash \$5650; store fixtures \$2000; accounts receivable \$16,730; accounts payable \$8620; notes receivable \$5600; notes payable \$8700; purchases \$69,670; discount on purchases \$370; sales \$63,750; discount on sales \$255; merchandise inventory, January 1, \$22,840; freight on purchases \$462; interest paid \$310; expense account \$1583; salaries \$2740; James Aiken (private account) Dr. \$1750; Henry Watkins (private account) Dr. \$1850.

The inventories on June 30 are as follows: goods on hand \$41,672; store fixtures at ledger value; interest accrued on notes payable \$167. It is estimated that 5% of the accounts receivable are uncollectible. The partnership agreement provides that each partner is

to receive \$2000 yearly salary and that the net profit or the net loss is to be shared according to the respective investments.

Show (a) the trial balance of the ledger for June 30 [5], (b) the profit and loss statement for the period under consideration [20], (c) the balance sheet for the beginning of the new period [15].

### EXERCISE 9

On June 30, 19—, the ledger accounts of Hill & Hale show the following balances: A. W. Hill (capital) \$6000; A. W. Hill (private) \$250; E. E. Hale (capital) \$4000; E. E. Hale (private) \$175.35; cash \$672.40; accounts receivable \$2165.84; merchandise inventory \$7787.11; purchases \$8400; sales \$12,560.50; returned sales \$250; traffic equipment \$1400; notes payable \$500; rent \$600; inward freight and express \$312.60; advertising \$200; purchase discount \$168.40; expense \$1015.60.

The merchandise inventory on June 30 is valued at \$8373.67; the unused expense items amount to \$38.20. It is estimated that traffic equipment has depreciated 5% and that 60% of the advertising cost should be charged to the period under consideration. Freight bills unpaid amount to \$18.75 and \$5 interest has accrued on notes payable.

(a) Show the trial balance of the ledger for June 30 [5].

(b) Prepare the profit and loss statement for the six months ending June 30. [20]

### EXERCISE 10

The following accounts and balances appear in the ledger of The Eastern Produce Co., at the end of the fiscal year May 31, 19—:

Henry Bryson, investment \$20,000; Charles Hawley, investment \$10,000; Smith R. Canfield, investment



\$10,000; Henry Bryson, withdrawals for personal use \$2200; Charles Hawley, withdrawals for personal use \$1500; Smith R. Canfield, withdrawals for personal use \$1250; real estate \$20,000; cash \$9286.22; notes payable \$3420; accounts receivable \$8682.50; sales \$13,842.19; general expense \$462.30; doubtful accounts \$610; furniture and fixtures \$360; salaries and wages \$3068.10; insurance \$360; discount on purchases \$120.30; purchases \$8984.95; interest and discount (debit) \$40.16; accounts payable \$5424.36; merchandise inventory \$4120.14; notes receivable \$1560.18; discount on sales \$127.50; freight on purchases \$194.80.

Inventories and adjustments: Merchandise on hand May 31, \$8496.12; furniture and fixtures 10 % less than ledger valuation; real estate \$22,000; insurance paid in advance \$240; wages due and unpaid \$380.50; doubtful accounts charged off \$157.50.

(a) Show the trial balance of the ledger for May 31. [5]

(b) Using the trial balance and the inventories, prepare the profit and loss statement for the year ending May 31. [20]

### EXERCISE 11

On June 30, 19—, the close of the year, the general ledger of Barnes & Young shows the following trial balance:

Henry Barnes, capital		\$ 54500
William Young, capital		37200
Henry Barnes, personal	\$ 3500	
William Young, personal	2500	
Sales		127117.33
Mdse. inventory	45741.80	
Purchases	75834.70	
Freight inward	3127.26	
Store expenses (including salaries)	5743.82	

# FINANCIAL STATEMENTS

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Rent	1200	
Discount on purchases		4264.56
Interest account (general)		1543.78
Discount on sales	6480.70	
Interest on investments		575
Cash	19848.85	
Accounts receivable	44253.79	
Notes receivable	16657.27	
Furniture and fixtures	7540.81	
Investments	15000	
Accounts payable		7471.11
Notes payable		10000
Reserve for depreciation on furniture and fixtures		1500
Reserve for doubtful accounts		3257.22
	<u>\$247429.00</u>	<u>\$247429.00</u>

From the above trial balance, prepare a profit and loss statement [20] and a balance sheet [15], taking into account the following inventories and adjustments:

Goods on hand, June 30	\$52315.67
Sundry expense bills unpaid	115.20
Accrued interest on investments	175
Additional reserve for depreciation on furniture and fixtures, 10 % of ledger value	
Additional reserve for doubtful accounts, $\frac{1}{2}$ % of sales	
Profits shared equally after partners have been credited with 5 % interest on their respective capital investments	

## EXERCISE 12

On June 30, 19—, the main ledger of Perkins & McHenry, wholesale merchants, shows the following trial balance:

James E. Perkins, capital		\$16125
W. R. McHenry, capital		13500
James E. Perkins, personal	\$ 500	
W. R. McHenry, personal	600	
Accounts receivable	3846.75	
Accounts payable		4527.16
Notes receivable	3200	
Notes payable		2000
Cash	3875.25	
Purchases	5273.30	
Sales		7256.14
Mdse. inventory	8487.45	
Freight	267.40	
Discount on sales	116.10	
Discount on purchases		229.80
Interest and discount	29.50	
Insurance	65.20	
Real estate	13500	
Real estate expense	141.15	
Furniture and fixtures	567.50	
Salaries and wages	2606.80	
General expense	561.70	
	<u>\$43638.10</u>	<u>\$43638.10</u>

The inventories on June 30 are as follows: merchandise \$9675.12; furniture and fixtures 5% less than ledger value; interest accrued on notes receivable \$67.10; wages due and unpaid \$96.45; insurance unexpired \$56.25.

The partnership agreement provides that the net profit or net loss is to be shared by the partners according to their respective investments.

Prepare (a) the profit and loss statement for the six months ending June 30 [20], (b) the balance sheet as of June 30 [15], (c) the personal accounts of the partners after the adjustment of the net gain or net loss has been made [10].

**EXERCISE 13**

At the close of the year's business, March 31, 19—, the trading and profit and loss accounts of the Eureka Office Supply Company show the following balances:

Sales — Dry goods		\$50000
Sales — Boots and shoes		34000
Sales — Clothing		16000
Purchases — Dry goods	\$41325	
Purchases — Boots and shoes	20915	
Purchases — Clothing	10630	
Inventory — Dry goods	12000	
Inventory — Boots and shoes	8150	
Inventory — Clothing	4500	
Freight and express inward	500	
Operating expenses	22000	
Discount on purchases		250
Cash discounts	300	
Interest on notes receivable		100
Interest on notes payable	150	
Bad accounts collected		50
Bad accounts charged off	100	

The inventories on March 31 are as follows:

Dry goods	\$12175
Boots and shoes	7975
Clothing	4250
The depreciation on store fixtures is estimated at \$50	

From the foregoing, prepare the profit and loss statement for the period under consideration. [20]

**EXERCISE 14**

Using the following trial balance taken from the books of the National Box Co., New York City, prepare (a) the profit and loss statement for the year ending December 31 [20], (b) the balance sheet as of December 31 [15]:

*Trial Balance, Dec. 31, 19—*

Capital stock		\$35000
Land and buildings	\$15000	
Furniture and fixtures	3460	
Mdse. inventory	17672.40	
Taxes and insurance	346.75	
Freight on purchases	278.30	
Light and heat	139.55	
General expense	510	
Selling expenses	379.80	
Interest and discount		46.50
Reserve for bad debts		725
Salaries and wages	5746.10	
Sales		42375.80
Returns on sales	267.35	
Purchases	25887.40	
Returns on purchases		485.25
Discount on sales	1672.25	
Discount on purchases		520.60
Accounts receivable	13633.36	
Accounts payable		8631.90
Profit and loss account		1845.75
Cash	4637.54	
	<u>\$89630.80</u>	<u>\$89630.80</u>

In preparing the statement as required above, the following adjustments are to be taken into consideration:

- (a) Charge for depreciation on land and buildings  $2\frac{1}{2}\%$ ; on furniture and fixtures 5%.
- (b) Increase the reserve for bad debts by  $\frac{1}{4}\%$  of net sales.
- (c) Charge off bad accounts receivable \$469.40.
- (d) Carry forward unexpired insurance \$137.50.
- (e) The merchandise on hand December 31 is inventoried at \$9482.70.

## EXERCISE 15

At the close of six months' business, June 30, 19—, the trading and profit and loss accounts of the Niagara Supply Company show the following balances: sales \$487,565; returns and allowances on sales \$4670; purchases \$414,800; freight inward \$5165; returns and allowances on purchases \$3892; salesmen's salaries \$2500; advertising \$1265; freight outward \$385.70; office salaries \$2187; stationery and printing \$251.80; general expense \$105; interest earned \$235.85; interest paid \$48.64; discount on sales \$5343; discount on purchases \$4970; insurance \$600; rent \$1500; merchandise inventory \$29,875.

The following information affecting the operations of the period is also supplied:

Merchandise inventory, June 30, \$41,860; stationery on hand \$145; interest accrued on notes receivable \$35.75, on notes payable \$12; unexpired insurance \$500.

Provision is to be made for (a) a reserve of  $\frac{1}{2}\%$  on net sales for uncollectible accounts, (b) a 5% depreciation on furniture and fixtures (book value \$2400).

From the foregoing, prepare the profit and loss statement for the period under consideration. [20]

## EXERCISE 16

The following is an outline of the balance sheet of two partners. Copy the outline on your paper and on the blank lines write the titles of accounts that might properly appear in such a balance sheet. Do not supply the amounts. Use any names you choose for the partners. [10]

## BOOKKEEPING EXERCISES

Current Assets		Current Liabilities	
_____	\$xxxx .xx	_____	\$xxxx .xx
_____	xxxx .xx	_____	xxxx .xx    \$xxxx .xx
_____	xxxx .xx		
_____	xxxx .xx    \$xxxx .xx		
Fixed Assets		Fixed Liabilities	
_____	\$xxxx .xx	_____	xxxx .xx
_____	xxxx .xx    xxxx .xx		
		Proprietorship	
		_____	\$xxxx .xx
		_____	xxx .xx
		_____	\$xxxx .xx
		_____	xxx .xx    xxxx .xx
		_____	\$xxxx .xx
		_____	xxx .xx
		_____	\$xxxx .xx
		_____	xxx .xx    xxxx .xx
			<u>\$xxxx .xx</u>
	<u>\$xxxx .xx</u>		

## EXERCISE 17

The accounts of the Novelty Manufacturing Co. for the two months ending June 30, 19—, showed certain transactions of which the following is a summary:

Inventories, May 1:		
Raw material	\$5400	
Unfinished goods	500	
Finished goods	4700	\$10600
Purchases:		
Raw material	6000	
Finished goods	2500	8500
Freight and cartage:		
On raw material	1500	
On finished goods	1000	2500
Wages		
		4500
Factory expenses		
		450
Inventories, June 30:		
Raw material	2600	
Unfinished goods	750	
Finished goods	5600	8950
Sales for two months		22000

Prepare from the above summary a statement showing (a) cost of goods manufactured, (b) gross profit on sales. [20]

## EXERCISE 18

From the following trial balance of the Johnstown Manufacturing Co., prepare (a) the profit and loss statement for the six months ending June 30 [20], (b) the balance sheet as of June 30 [15]:

*Trial Balance, June 30, 19—*

Capital stock		\$20000
Tools and machinery	\$ 8675	
Accounts receivable	2628.15	
Accounts payable		1672.46
Notes receivable	5385	
Raw materials purchased	8387.50	
Wages	4269.43	
Sales, finished goods		21862.98
Purchase discount		137.95
Interest on notes payable	162.25	
Cash	7624.74	
Fuel	682.70	
Insurance and taxes	136.30	
Salesmen's salaries and expenses	2629.29	
Rents paid	450	
Office salaries	1500	
Sales discount	189.50	
General expense	328.18	
Furniture and fixtures	275	
Freight inward	162.70	
Cartage	187.65	
	<u>\$43673.39</u>	<u>\$43673.39</u>

In preparing the statement required above, make provision for the following:



Finished goods on hand	\$1526.15
Goods in process	536.25
Raw materials on hand	816.27
Depreciation on tools and machinery 5%; on furniture and fixtures $7\frac{1}{2}\%$	
Reserve for bad debts $\frac{1}{2}\%$ of sales	
Wages due but not paid	1526.60
Prepaid insurance	29.50
Cartage on outgoing goods \$125.15, on incoming goods \$62.50	

## EXERCISE 19

On December 31, 19—, the trial balance of The Virginia Shipbuilding Company is as follows:

Real estate	\$300000	
Buildings	158000	
Equipment	847500	
Good will	50000	
Cash	43474.20	
Purchase discount		\$10120.37
Sales discount	5600.14	
Interest on notes payable	3300.20	
Insurance and taxes	6030.89	
Accounts payable		75871.38
Reserve for depreciation on buildings and equipment		58272
Capital stock		1500000
Sales		1377691.44
Accounts receivable	181028.75	
Inventory of raw materials and work in process, Jan. 1	184567.39	
Operating, maintenance and general expenses	86327.04	
Factory expense and super- intendence	117374.31	
Labor	506287.30	
Purchases	691985.47	
Bond interest (one half year to June 30)	2000	

Notes payable	35000
First mortgage bonds (4 %)	100000
Surplus	26520.50
	<u>\$3183475.69</u>
	<u>\$3183475.69</u>

The inventory of raw materials and work in process on December 31 amounts to \$309,062.05. Interest accrued on notes payable amounts to \$900.27. Before the books are finally closed it is determined (a) to create a reserve of  $1\frac{1}{2}\%$  on \$140,000 of the accounts receivable in order to provide for possible bad and doubtful accounts, (b) to carry a further sum of \$5000 to the reserve for depreciation on buildings and equipment. Interest on the bonds to December 31 is also provided for.

Prepare a profit and loss statement [20] and a balance sheet [15] in accordance with the above.

## **LEDGER CLOSING**

### **CLOSING ENTRIES**

#### **EXERCISE 1**

(a) Show the journal entries required to close the ledger of Miles & Jones as represented by the data given in Exercise 1, page 44.

(b) Set up and close all the accounts involved.

#### **EXERCISE 2**

(a) Show the journal entries required to close the ledger of Kendall & Parsons as represented by the data given in Exercise 7, page 49.

(b) Set up and close all the accounts involved.

#### **EXERCISE 3**

(a) Show the journal entries required to close the ledger of the National Box Co. as represented by the data given in Exercise 14, page 55.

(b) Set up and close all the accounts involved.

### **ADJUSTING ENTRIES**

1. Referring to Exercise 4, page 47, make the journal entries required for the given inventories and adjustments preliminary to closing the ledger.

2. Referring to Exercise 19, page 60, make the journal entries required for the given inventories and adjustments preliminary to closing the ledger.

3. Show the proper journal entries for the following adjustments incident to the closing of a certain set of books:

(a) Machinery costing \$3000 has depreciated 10% during the year.

(b) The accounts receivable show a total of \$18,500. Two per cent of this amount is set aside out of profits as a provision against possible losses.

(c) A number of accounts receivable amounting to \$346.50 are charged off as worthless.

(d) Taxes accrued, but not yet due, amount to \$237.50.

4. Show the entries required in the following:

(a) The net profit of a corporation is \$18,765.20. The directors have declared a dividend of 6% on a capital stock of \$100,000 and have agreed to carry \$10,000 to the surplus account.

(b) Your sales for the period just ended amount to \$47,568.12 and you wish to set up a reserve for bad debts of  $1\frac{1}{2}\%$  of sales.

5. Answer both (a) and (b):

(a) At the end of the first year of business the Profit and Loss account shows a net profit of \$9000. The directors decide to pay a dividend of 10%, to set apart \$1000 as a reserve for doubtful accounts, and to let the balance stand as a surplus. Make the proper journal entry.

(b) The treasurer has been directed to pay the dividend in cash. Make the proper journal entry.

6. Answer (a), (b), and (c):

(a) At the end of the fiscal year, June 30, the books of Martin White show a balance of \$5482.70 in the Accounts Receivable account. Mr. White estimates that approximately 2% of this balance is uncollectible. Carry out his instructions to yourself as bookkeeper, to make the proper entry or entries so that the financial statements when prepared will show the provision made for the uncollectible accounts.

(b) On July 15 Mr. White decides that the account of Robert Gray, \$389.10, and of M. R. Brown, \$542.50, now long overdue, shall be carried no longer. Make the proper entries to close out these accounts.

(c) Should M. R. Brown at some subsequent date remit \$400 to apply on account, what entry would be required for the payment?

7. Answer both (a) and (b):

(a) Henry Pitkin, who owes you \$1000, has been discharged in bankruptcy and you receive a check for \$400 in full settlement of your account. Make the journal entry.

(b) A year later Henry Pitkin writes you that he expects to pay off in time all of his old debts and incloses a check for \$300 in part payment of the balance due you. Make the journal entry.

## LABOR-SAVING DEVICES

1. What is the function of an auxiliary ledger? Show how the use of an auxiliary ledger affects (a) the trial balance, (b) the rulings in books of original entry.

2. Explain the advantages of controlling accounts and special columns in books of original entry.

3. Arrange a cashbook in columnar form with three special columns on each side. The cash balance is to be found daily without making use of the totals of the special columns. Show by a number of entries the use of the cashbook and the special columns, and explain the posting of the totals from these columns.

4. In a certain business the journal, cashbook, sales journal, and purchase journal are used as books of original entry.

The special column headings in the journal are Creditors' Ledger Dr. and Customers' Ledger Cr. The special column headings in the cashbook are as follows: on the debit side, Sales Discount and Customers' Ledger; on the credit side, Purchase Discount, Creditors' Ledger, and Expense. The special column headings in the sales journal are Sales and Packing. The special column headings in the purchase journal are Purchases and Office Supplies.

Show on specimen pages of each of the books of entry mentioned above, the proper method of footing the columns, and explain clearly what posting is required for the totals of the special columns.

5. In a certain business the journal, cashbook, sales journal, and accounts payable register are used as the books of original entry.

The columns provided in the journal are Accounts Payable Dr., General Dr., Accounts Receivable Cr., General Cr.; in the cashbook on the debit side, Net Cash, Discount on Sales, Accounts Receivable, Cash Sales, General, and on the credit side, Net Cash, Discount on Purchases, Accounts Payable, Expense, General; in the sales journal, Books, Stationery, Office Supplies, Cash Sales; in the accounts payable register, Books, Stationery, Office Supplies, Freight.

Show in journal form the entries required to post the footings in all the books mentioned. [Assume that an account for Cash is kept in the general ledger.]

6. On May 1, 19—, the cashbook of a certain business showed a balance of \$18,625.75.

On May 31 the cash transactions for the month were represented by the following footings of the special columns:

Debit side:

Accts. Rec.	Disc. on Sales	Cash Sales	Sundries
\$5372.10	\$352.70	\$1250.40	\$3479.20

Credit side:

Accts. Pay.	Disc. on Pur.	Expense	Sundries
\$3948.27	\$249.61	\$217.34	\$5120.10

Transfer the above data to your paper, balance the cashbook, and indicate the postings required.

7. In a certain business the journal, cashbook, sales journal, and purchase journal are used as books of original entry. The footings of the various columns in the different books are as follows: journal debit, accounts payable \$2562.50, notes receivable \$2000, general \$13,135.12; journal credit, notes payable \$3000, accounts receivable \$1872.45, general \$12,825.17; cashbook, left page, accounts receivable

\$3672.84, sales discount \$162.45, general \$786.50, net cash \$4296.89; cashbook, right page, accounts payable \$1516.26, purchase discount \$36.85, expense \$261.42, general \$831.78, net cash \$2572.61. The total sales are \$3876.45 and the total purchases \$4627.80.

Rule a specimen page of the journal as prescribed above. After making journal entries which summarize the other books of original entry, close the journal.

8. In a certain business concern the invoices of incoming merchandise are filed separately after they are entered in a purchase journal or accounts payable register. What columns should be provided in the entry book named and what are the advantages of this method of handling invoices of purchases?

9. What are the advantages and the disadvantages of the voucher system of handling payments? Is the system applicable to all lines of business? Explain.

10. Explain the imprest system of handling petty cash expenditures and tell under what conditions the system can be used to advantage.

11. In the general ledger of W. O. Coster & Co. the Accounts Receivable account shows a debit footing of \$12,895.37 and a credit footing of \$5468.93; the Accounts Payable account shows a debit footing of \$2128.43 and a credit footing of \$5195.47.

The sales ledger shows the following accounts with debit balances: A. H. Burtis \$419.29, C. E. Snyder \$1543.27, M. V. Hughes \$1128.19, J. E. Baker \$1324.52, M. A. Hurst \$1196.45, F. M. Andrews \$1814.72.

The purchase ledger shows the following accounts with credit balances: W. K. Landers \$346.19, E. M. Griffin \$819.26, H. B. Cook \$1324.75, A. R. Kempton \$576.84.



Prepare abstracts of the purchase and sales ledgers, showing their agreement with their respective controlling accounts in the general ledger.

12. What is a bill book? Explain how the bill book may be used as a book of original entry.

Explain briefly the essential features of (a) loose-leaf bookkeeping, (b) a card ledger.

## BUSINESS PAPERS

1. State how the following differ: an ordinary check, a certified check, a bank draft. Show by illustration under what circumstances each would be a suitable method of payment.

2. Explain each of the following: voucher check, accommodation note, collateral note, trade acceptance, order bill of lading.

3. Referring to Exercise 9, page 22, write the check and the note mentioned under date of January 25.

4. Referring to Exercise 7, page 17, write the check and the draft mentioned in the transaction of May 9.

5. Write the draft and the check mentioned in problem 8, page 89.

6. Referring to Exercise 6, page 15, answer both (a) and (b):

(a) Write the Sullivan Building Co's note which was received on July 12. Make it payable at the Bank of the Republic. Show the necessary indorsement on this note when it was discounted on July 13.

(b) Write the trade acceptance mentioned in the transaction of July 15 and show Hartley Brothers' acceptance.

7.

*HALE & ELKINS*

19— Jan. 5	Goods returned	\$50	19— Jan. 2 Jan. 2	Invoice $\frac{3}{10}$ n/30 Freight prepaid on above in- voice	\$510 50  17 20
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The above represents Howard Thompson's account with Hale & Elkins.

Mr. Thompson resides in Gary, Ind., and transacts all of his business at the Commercial National Bank of that city, Henry Simmons, cashier. On January 10 he gives his check to this bank in payment for a bank draft drawn on the Traders Bank of Chicago and payable to Hale & Elkins for an amount sufficient to settle the above account.

Write the check and the bank draft called for in the above transaction.

8. You have purchased by check a Chicago draft for \$600 from your bank, the Mohawk National Bank of your city, for the purpose of making a remittance to The Marshall Smith Co. of Chicago, Ill. Write (a) the draft in complete form, (b) the check for the purchase of the draft, exchange  $\frac{1}{2}$  % premium.

9. Answer both (a) and (b):

(a) You have in your possession W. D. Blackman's 60-day note for \$568.75, dated Atlanta, Ga., August 16. You transfer the note to G. E. Williams by qualified indorsement to apply on account. Write the note as it appears when Mr. Williams receives it.

(b) Referring to Exercise 12, page 29, write in complete form the certified check mentioned in the transaction of July 18. [George Daniels is cashier of your bank, the Tenth National Bank.]

10. Wallis & Irwin, Columbus, Ohio, owe your employer, Henry Waters, \$1023.64. They have ignored his repeated requests for payment and you are told to draw on them at sight and "put the draft through."

Draw the draft, tell what steps are necessary from the time the draft is drawn to the time of its payment by Wallis & Irwin, and make the proper entry for your employer.

11. On June 15 A. F. Barton & Co., New York City, draw on Charles Duncan, Buffalo, N. Y., at 30

days' sight, for \$1500, the balance due on account. The draft is returned with acceptance dated June 18 and made payable at Duncan's bank, the Tenth National Bank, Buffalo. Later Barton & Co. deposit the draft for collection in the Cotton Exchange Bank, New York City, which in turn forwards the draft for collection to the Niagara National Bank, Buffalo.

Show in complete form the draft as it finally reaches Duncan with the July statement of his bank account.

12. On January 16 John Longley borrows \$500 from the Mohawk National Bank on his 60-day note, giving your name as security.

(a) Write the note in complete form.

(b) Explain to what extent you are liable on the note.

13. Write a 90-day note, with J. S. Carson as indorser, that J. R. Thomas would issue in securing a loan of \$2500 from the City National Bank. Show the entries necessary on the books of J. R. Thomas if the note is discounted on date of issue.

14. Answer (a), (b), and (c):

(a) On August 10 you paid a sight draft for \$257.60 presented for payment by the First National Bank of your city. The draft was drawn on you by S. K. Williams & Co., Detroit, Mich., in their own favor on August 5, and apparently was left with the Detroit National Bank for collection. Write the draft in the complete form in which it is handed over at time of payment.

(b) J. K. Little and R. G. Brown, trading as partners, execute a joint and several note for \$10,000, with Warren Carson as an accommodation indorser, and have it discounted at the Merchants National Bank. The note is dated August 10 and is made payable on demand. Write the note in accordance with the above data.

(c) From the data given below, write the bank draft which is to constitute a remittance to Orland Manufacturing Co., Peoria, Ill.:

Date: August 1, 19—

Amount: \$1500

Payee: Yourself

Drawer bank: Exchange National Bank, your city

Correspondent bank: Illinois National Bank, Chicago, Ill.

## SHIPMENTS AND CONSIGNMENTS

1. Explain each of the following: shipment, consignment, shipment invoice, account sales, account purchase, consignor, consignee.

2. Gage & Smith, Chicago, Ill., buy for Rochester Milling Company, April 16, a cargo of No. 2 northern wheat, 24,000 bu. at 95¢, to be shipped by Commercial Line steamers to Rochester, N. Y., at 6¢ a bushel, including the transfer to canal boats and delivery at destination. Expenses in Chicago are, elevator charges 2¢ a bushel, buyer's commission  $\frac{1}{2}$ ¢ a bushel, and marine insurance on cost of cargo \$80. Make out the account purchase of the wheat, including all charges in Chicago. State what would be the total cost of cargo delivered at Rochester.

3. Prepare an account sales from the following: A. B. Read & Co., 14 Washington St., New York City, received of W. M. Johnson, Utica, N. Y., Nov. 1, 150 cases cheese to be sold on commission. Sold 100 cases, 10,450 lb, @ 15¢ on Nov. 21, and 50 cases, 5100 lb, @ 15¢ on Nov. 23. Commission 5%, storage \$5, cartage \$5. Proceeds remitted by check Nov. 23.

### INVOICE OF SHIPMENT

Geneva, N. Y., Nov. 16, 19—

4. Shipped to Saunders & Co.

Albany, N. Y.

By Benj. Richmond to be sold on account and risk of himself the following goods:

100 bbl. apples.

On November 30 Saunders & Co. received the above apples and paid freight \$16.75. On December 1 the

apples were sold for cash at \$2.50 a barrel. After a commission of 2% had been deducted, a check on the Traders Bank of Albany for the net proceeds was remitted to Richmond.

(a) Write the account sales that Saunders & Co. sent to Richmond.

(b) Write the check that accompanied the account sales.

5. Answer (a), (b), and (c):

(a) What is the difference between a shipment and a consignment?

(b) What entry should an agent make when he renders an account sales to his principal and remits one half of the net proceeds in cash?

(c) Give the principal's entry on receipt of the account sales and remittance referred to in (b).

6. State what accounts are debited and credited in each of the following transactions common to the commission business:

(a) When goods are received to be sold on commission.

(b) When shipment of goods is made to be sold for the business.

(c) When account sales with check for net proceeds is forwarded to a consignor.

(d) When account sales with instructions to charge net proceeds is received from a consignee.

7. Answer both (a) and (b):

(a) The Southern Produce Co. of Jacksonville, Fla., has shipped a carload of melons to The General Commission Co. of Washington, D. C., to be sold on  $12\frac{1}{2}\%$  commission. The melons cost the Southern Produce Co. \$350, freight from growers \$89.50, insurance and storage \$24.30, cartage \$4.20. All of these payments were made in cash on the day of shipment. Make the proper journal entry for the Southern Produce Co.

(b) An account sales has been received by the Southern Produce Co., showing the following results from the shipment: total sales \$790; payments for freight \$62, for insurance and storage \$20, for cartage \$5.50; a charge for commission at the rate given. Assuming that a check in full settlement is received with account sales, make the proper journal entry.

8. On August 7 Frank Miller sends you 200 barrels of apples, valued at \$1.75 a barrel, to be sold on commission. On receipt you discover that 10 barrels were spoiled in transit. You sell the remainder of the apples at \$2.50 a barrel. The charges are \$8.90 for cartage, \$2.65 for storage, and commission at 5%.

On August 15 you render an account sales and inclose a check on the First National Bank for one half the proceeds.

(a) Make your entries for the transaction.

(b) Write the account sales.

9. The General Commission Co., Rochester, N. Y., received from George Wilson & Co., Medina, N. Y., 500 baskets of peaches to sell on 10% commission. The following charges were paid in cash by the consignee: freight \$14.60, cartage \$5, insurance \$2.50. The peaches were sold for cash at 50¢ a basket and an account sales was duly rendered.

Make the proper entries for both parties, assuming that no settlement was made at the time.

10. On May 19, 19—, you receive from The Southern Commission Co., Macon, Ga., 150 crates of strawberries, invoiced at \$3.25 a crate, to be sold on their account. You pay freight \$18.50 and other expenses \$2.75. On May 21 you pay a sight draft for \$200 drawn by The Southern Commission Co. to apply on account. Sales for cash are made as follows: 50 crates @ \$4.25; 40 crates @ \$4.30; 35 crates @ \$4.50; 25 crates @ \$4. On May 24 you remit by check for



the net proceeds, after deducting commission at 5% and storage charges \$4.50.

Open the proper ledger accounts and make all the necessary entries for your part of the transaction. Show also, in proper form, the several business papers that entered into the transaction.

11. Williams and Harvey are engaged in a commission business. They solicit consignments from fruit growers and engage to sell such consignments on a 5% commission basis. They charge consignors for freight and other expenses incurred. Advances on sight draft are made frequently; the practice is also, in rendering account sales, to hold the net proceeds subject to sight draft.

Rule up a form of Account Sales Register designed to meet the above conditions and explain what posting will be required therefrom.

## PARTNERSHIP AND CORPORATION ACCOUNTS

### PARTNERSHIP — OPENING ENTRIES AND ADJUSTMENTS

1. On January 10, 19—, John Lyman and David Norman became partners to carry on the retail hardware business. Lyman invested cash \$1000, merchandise \$4000, notes receivable \$1200, store and lot valued at \$11,000 and mortgaged for \$9000. The new firm assumed the mortgage on the store and lot invested by Lyman, and also a 60-day note for \$800, dated December 15, 19—, which Aaron Dolan held against Norman. Norman invested cash to make his net investment equal to Lyman's.

Make the opening entries for the new firm.

2. On June 2, 19—, John Wilson and George Moore form a partnership to engage in the milling business. Losses and gains are to be shared equally.

John Wilson invests the following: real estate valued at \$12,000 and mortgaged for \$7500, with interest accrued on the mortgage for two months at 5%; Thompson & Co's 30-day acceptance for \$450, dated May 20, without interest; W. H. Miller's 90-day interest-bearing note for \$600, dated May 10, with interest accrued to date; mill machinery, etc. at 10% less than appraised value of \$4500.

By the terms of the agreement a six months' note held against George Moore and dated April 1, for \$3000, with accrued interest, is assumed by the partnership. Moore invests cash sufficient to equalize the investment.

Make the necessary journal entries to open the books of the partnership.

3. On January 1, 19—, William Marvin, Henry Robinson, and John Little form a partnership under the name of Marvin, Robinson & Co., to engage in the wholesale lumber business. Some of the provisions of the partnership agreement are (a) that each partner shall be allowed a salary account of \$150 monthly, (b) that each partner shall be credited with interest at 5% on his capital investment, (c) that, after the above charges have been made to the profit and loss account, the resulting net profit or net loss shall be distributed equally among the partners.

Marvin invests the following: cash \$10,000; delivery trucks valued at \$5000; book accounts \$1682.75; A. R. French's 60-day acceptance at face value \$1800, dated December 15, 19—, without interest.

Robinson invests the following: real estate valued at \$7500 and mortgaged for \$3000; 50 shares Citizens National Bank stock valued at \$6250; book accounts \$478.38.

Little invests the following: cash \$15,000; Foster & Co's \$4000 note, dated November 17, 19—, for two months, with accrued interest at  $5\frac{1}{2}\%$ .

Make the necessary journal entries to open the books of the partnership.

4. E. B. Arnold, B. H. Berry, and R. O. Clark are partners, their respective accounts showing balances as follows: Arnold \$1000, Berry \$1400, Clark \$1200. Arnold sells his interest to F. C. Doud, who then forms a new partnership with Berry and Clark. Doud invests an additional \$200 in cash, and Berry takes the firm's note for \$200 to reduce his share and to equalize capital. Give all the necessary entries.

5. On June 30 the books of the partnership referred to in problem 3 are closed and the partnership accounts are adjusted for the period. The net profit, before allowance is made for salaries and interest, amounts

to \$10,264.75. Each partner has drawn \$900 on account of salary, which has been charged to his private account.

Show the capital and the private account of each partner, with the necessary adjustments made as provided for by the terms of the partnership agreement.

6. On August 1 Watson and Thompson, partners, sell to Lawrence a one third interest in the business for \$3000. If the capital accounts of Watson and Thompson show respective balances of \$2500 and \$3500, how should the \$3000 be divided between Watson and Thompson in order to make the three partners equally interested in a joint capital of \$6000?

7. John Rogers and Henry Garner entered into a partnership for the purpose of perfecting an invention and making a sale after patent rights had been secured. The profits or losses were to be shared equally. No interest was to be paid on partners' capital. Rogers contributed \$1500 and Garner \$750 to cover the cost of experiments, Garner giving his personal services without salary.

On the completion of the necessary experiments the purchases and expenses paid for were found to have amounted to \$2468. Rogers then made another advance of \$250 and Garner paid \$127 for patent fees, etc. The invention was sold by them to a corporation for \$5000 cash, which was paid to them. On dissolving the partnership, Garner arranged to take over the stock of materials at an agreed valuation of \$180.

Show the necessary ledger accounts properly closed as they appeared after the dissolution of the partnership.

#### CORPORATION — OPENING ENTRIES

1. The American Machinery Co. is incorporated with a capital stock of \$200,000. William Conway, Isaac Marshall, and Henry Fielding each subscribe

for \$50,000 worth of stock at par and pay cash. The unsubscribed stock is to be offered for sale when additional capital is needed.

Make the necessary opening entries for the above on the books of the corporation.

2. What entries are required on the books of a corporation capitalized at \$100,000, if one half of the capital stock is subscribed for, 10% of the subscription being paid with application and the remainder in two installments?

3. A corporation is organized with an authorized capitalization of 5000 shares at a par value of \$100 each. One half of the stock is subscribed for at 90 and paid for in two installments. R. K. Reymer, in return for 1000 shares of stock, transfers to the corporation his shipyard valued at \$80,000. A. R. Paine receives 100 shares of stock for his services in organizing the corporation.

Make the necessary opening entries on the books of the corporation for the above.

4. F. H. Cole and R. D. Harris have patented an improved electric meter and have borrowed \$1500 on their note with which to complete the invention. They organize a corporation with a capital of \$50,000, shares \$100 each. Cole and Harris each receive \$20,000 worth of stock in return for the patent rights transferred to the corporation. The corporation also assumes the payment of the \$1500 note. A. G. Emery, an attorney, is given five shares to pay for services in fulfilling the incorporation requirements. Cole and Harris each donate to the company \$10,000 worth of stock to be sold in order to provide working capital; 160 shares of the donated stock are sold for cash at 50% of the par value.

Make the entries on the corporation books for the transactions given above.

5. On April 1, 19—, The Healey Manufacturing Co. is incorporated with an authorized capital of \$100,000 common stock and \$50,000 preferred stock. The preferred stock is subscribed for and paid in full. One half of the common stock is subscribed for, less 10% discount, the subscribers paying one half in cash, the balance to be paid in two months. On June 1 the balance on the common stock subscribed for on April 1 is paid, and the remainder of the authorized common stock is sold for cash at 10% premium.

Make the entries required for the above transactions.

#### CHANGING PARTNERSHIP TO CORPORATION

1. On July 1 the partnership referred to in Exercise 8, page 50, is dissolved and the business is incorporated for \$75,000, under the corporate name of The Aiken-Watkins Co. Aiken receives \$25,000 of the stock for his share in the business; Watkins receives \$35,000 of the stock for his share. William Conway subscribes for the remainder of the capital stock.

(a) Show the capital and private accounts of the partners properly closed for the period ending June 30. [Net profit before allowance is made for partners' salaries \$6928.50]

(b) Assuming that the same set of books will be used, make the journal entries required for the reorganization as prescribed above.

2. The American Air Brake Co. was organized as a corporation with a capital stock of \$500,000, divided into shares of the par value of \$10 each. George Harvey, R. T. Collins, and Samuel Franklin each subscribe for 500 shares of stock and pay cash.

A partnership composed of Byron Arnold and A. K. Lyons offers to turn over the business of the partnership to the corporation in consideration of 23,200 shares of stock. The offer is accepted, the business is acquired, and the stock is duly issued in payment.

The following assets were taken over at their ledger value: plant and equipment \$120,000; furniture and fixtures \$2000; notes receivable \$10,000; accounts receivable \$25,000. The following liabilities were assumed by the corporation: mortgage on plant \$15,000; notes payable \$10,000; accounts payable \$10,000. The incorporation expenses, amounting to \$1200, were paid in cash.

Give (a) the journal entries required on the books of the partnership for recording the transfer of the assets and liabilities, (b) the opening entries required on the books of the corporation.

3. Charles Williams and Henry Groves, as equal partners, have been conducting a wholesale dry goods business at Utica, N. Y. They have decided to incorporate and to secure additional capital by the sale of stock. The necessary legal steps have been taken and a charter has been granted.

The capital stock of the new firm, which is to be known as the Utica Wholesale Dry Goods Company, is \$60,000, divided into 600 shares of the par value of \$100 each. Each partner is to receive \$25,000 of the capital stock for his share of the old business.

The condition of the business on December 31, 19—, is shown by the following schedule of assets and liabilities:

Assets		
Cash on hand		\$6000
Merchandise per inventory		22500
Accounts receivable		5298.22
James Rogers, Amsterdam	\$2460	
Henry Paine, Olean	1456.60	
George Rice, Cortland	954.87	
J. D. Carson, Oswego	426.75	
Notes receivable		2810
3 months' note signed by J. B.		
Miller & Co., due Mar. 1, 19—	1250	

90-day note, F. B. Wolfe, maker, due Feb. 10, 19—	1560	
Expense (unused coal, etc.)		239
Furniture		1800
Real estate		7500
Delivery equipment		800
Insurance (unearned premium)		225

**Liabilities**

Accounts payable		\$1792.50
United States Woolen Co.	\$742.50	
Excelsior Mills Co.	1050	
Notes payable		
60-day note in favor of H. C. Morris, due Mar. 15, 19—		2400

(a) Make journal entry necessary to close the old books on December 31, assuming that the partners' accounts stand credited with their present worth. All notes are to be considered at face value. A general ledger, sales ledger, and purchase ledger were kept, but only the general ledger accounts are to be closed.

(b) Make journal entries necessary to open the new books, assuming that no new stock has as yet been sold. The entire capital stock is to appear on the books.

4. On June 1, 19—, The Home Manufacturing Company is incorporated under the laws of the State of New York to acquire and conduct the business of the firm of R. O. Browning and H. E. Johnson. The authorized capital stock of the company is \$250,000, par value \$100 a share. The company has agreed to take over the net assets of the partnership at the following valuation and to issue in payment 1000 shares of stock to each of the two partners: real estate \$120,000; tools and equipment \$60,000; raw materials \$20,000. A bill of sale is executed and the stock duly issued. O. E. Kitchell and R. K. Taylor subscribe for



100 shares each. On June 10 the stock subscribed for by Kitchell and Taylor is paid for and issued. On June 14 Browning and Johnson each donate 100 shares of stock to the company to be sold for the purpose of securing additional working capital.

From the foregoing data, make (a) the entries on the books of the partnership for the sale of the assets, (b) the opening entry of the new corporation.

5. Answer both (a) and (b):

(a) Two ledgers are before you. One is the ledger of a partnership concern just before the partnership is converted into a corporation; the other is the new ledger of the corporation. What differences should you find in the accounts in the two ledgers?

(b) In what way does the disposition of the net profit differ with respect to partnerships and corporations?

## SINGLE ENTRY

1. Explain concisely the difference between single entry and double entry bookkeeping.

2. Enter in the single entry journal of Vincenzo Amico, a fruit dealer, the following:

On hand March 15: fruit worth \$487.10; cash \$1560.80; fixtures \$120.

**March 16** Bought of Empire Cold Storage Co., on account: 10 crates oranges @ \$1.50; 12 bunches bananas @ \$1.40.

**17** Sold City Grocery Co., on account: 2 crates grapefruit @ \$2.25; 1 bunch bananas @ \$1.65; 3 crates oranges @ \$1.75.

**18** Bought, for cash, wrapping paper and bags \$10.50.

**19** Sold sundry items for cash to date \$96.25.

**20** Paid Empire Cold Storage Co. \$25 on account.

**22** Bought of H. R. Prescott, on account, 5 crates strawberries @ \$2.20.

**23** Received from City Grocery Co. check for amount of their bill of March 17.

3. Enter in single entry journal and cashbook the transactions given in Exercise 4, page 11.

4. Enter in single entry journal and cashbook the transactions given in Exercise 10, page 24.

5. The books of George Atkins and Henry Arnold, wholesale merchants, have been kept by single entry. On June 30, 19—, the condition of the business is represented as follows:

Assets and liabilities per ledger: George Atkins, investment \$15,000, withdrawals \$1500; Henry Arnold, investment \$15,000, withdrawals \$1800; cus-

tomers' accounts \$9000; creditors' accounts \$7500. Assets and liabilities not in ledger: merchandise per inventory \$16,000; cash in bank \$4800; notes receivable \$2400; notes payable \$2000; real estate \$6000.

(a) Determine the profit or loss of each partner at this date, profits and losses being shared equally.

(b) Give the journal entry that when posted will change the single entry ledger to the double entry form.

6. During 19— Henry Jones and Arthur Garrison conducted a business in Columbia, Mo. At the beginning Jones invested \$5000 and Garrison \$2500, profits and losses to be shared in proportion to investments. They kept the books by single entry. On December 31 their ledger showed the following balances: (a) debit, John Coe \$350, Charles Black \$525; (b) credit, William White \$125, Ezra Greene \$475, Richard Wheeler & Co. \$235. They also had cash on hand \$1688.75, notes and drafts due the business \$592.50, merchandise per inventory \$1346.25, furniture and fixtures \$497.50 and building \$5000. Their own notes outstanding amounted to \$1000. During the year Jones and Garrison had withdrawn \$300 and \$200 respectively for their private use.

From the above information, ascertain the net profit or net loss for the year and change the books to double entry, retaining the old ledger as a double entry ledger. Show the steps by which this work is accomplished, concluding with a preliminary trial balance.

7. In changing from single entry to double entry, what is the difference in procedure when the old ledger is used instead of a new ledger?

8. At the close of business December 31, 19—, the inventories and single entry records of the Jones Manufacturing Co. revealed the following condition:

<b>Assets</b>		
Cash		\$ 2380
Unfinished goods		12570
Finished goods		4600
Notes receivable		1500
Accounts receivable		15420
George Roe	\$5220	
Henry Smith	4640	
Charles May	5560	
Plant		50000
Machinery and tools		12680
Office fixtures		1200
Materials and supplies		10382
Expense (items unused)		560

<b>Liabilities</b>		
Accounts payable		\$15645
Hill & Co.	\$9840	
Gray Manufacturing Co.	5805	
Notes payable		1120

The firm desires to open new double entry books.  
Make the necessary journal entry.

## MISCELLANEOUS PROBLEMS

1. Define and illustrate each of the following: fixed asset, current asset, fixed liability, current liability, real account, nominal account.

2. Henry Taylor sold to James Wilson merchandise amounting to \$6842 and received in payment his own acceptance due to-day, in favor of Richard Wallace, \$3840, cash \$1000, and a sight draft on Henry Mills for the balance. Taylor handed the sight draft to Henry Mills and received credit. Make the proper journal entry.

3. On May 17 you purchase from the Boston Woolen Mills, terms  $2/10 \text{ } ^n/60$ , an invoice of woollens amounting to \$2876.87. You call their attention to an error of \$13.50 in the pricing of one item on the invoice, for which they hand you a credit memorandum. One piece of 61 yards priced at \$1.92 is returned as not a part of the original order. On May 26 settlement for the net amount of the invoice is made by a 30-day note for \$1500 and a check for both the balance due and the interest on the note for 30 days. Make in journal form the entries required in the whole transaction.

4. Make in journal form the required entries for the following transactions:

(a) J. L. Warren's account in the customers' ledger shows a balance of \$150. His account in the creditors' ledger shows a balance of \$175. A check for \$25 is handed to Warren in full settlement of account.

(b) A man buys for \$5000 a piece of property that is subject to a mortgage of \$2000. He gives a new

mortgage of \$2500 and cancels the old one, on which \$60 interest has accrued.

5. Prepare a model form of a profit and loss statement for a wholesale grocery business, using the names of accounts that would probably be required in such a business.

6. John Blake began business on January 2, 19—, with assets \$9000 and liabilities \$4000. On December 31 he finds that his assets are \$6000 and his liabilities \$8000. Open his account in accordance with the facts as stated and show his net loss. Close the account and show his net insolvency December 31.

Find at what per cent on the dollar Blake can pay his liabilities.

7. A fire occurred in the warehouse of Wyman & Co., destroying merchandise to the amount of \$1500. The goods were not insured. The book-keeper made no entry for the loss. Would the failure to make an entry for the above loss affect the result representing the firm's loss or gain when the books are closed at the end of the year? Explain fully the reasons for your answer.

8. On May 17 C. E. Burns, Binghamton, N. Y., owned \$1500 in cash. On the same day he ordered of the Western Grain Co., Chicago, Ill., one car fancy clipped white oats. The oats were shipped May 23 and arrived in Binghamton June 4. The invoice weight was 51,200 lb net. The price was 67¢ a bushel (1 bu. = 32 lb), f. o. b. Binghamton, and the terms were "seller's draft on buyer at sight with documents attached." The freight, at 15¢ a hundred, was paid by the buyer and charged to the seller. When the draft was presented to Burns May 28, he drew his check on the Third National Bank of Binghamton for the amount and all of the documents were delivered to him.

Sales were made by Burns from the carload of oats as follows: June 7, 500 bu. @ 85¢; June 10, 400 bu. @ 86¢; June 12, 800 lb @ \$2.40 a hundred, all for cash. Expenses were paid in cash as follows: June 4, \$5.65; June 10, \$6.40. The oats unsold June 13 were inventoried at cost. Set up and close the following ledger accounts: Stock of Oats, Sales, Expense, Profit & Loss, Cash, C. E. Burns.

9. Discuss the method of financing the transaction described in problem 8, describe the documents that would accompany the seller's draft, and state briefly the purpose of each.

10. Explain each of the following: deferred charges, accrual, depreciation, reserve account, sinking fund, liability inventory, contingent liability, good will.

11. Discuss the different methods of treating depreciation on the books of account. How is the amount of annual depreciation determined?

12. Notes receivable discounted at the bank are a contingent liability of the business. Explain fully how such transactions may be recorded to show this contingent liability correctly in the balance sheet.

13. What details are necessary in making shipments (a) C. O. D. by express, (b) C. O. D. by freight?

14. Reconcile the following bank account: balance per check book \$972.13; balance per pass book \$1986.24; checks outstanding \$324.89, \$63.14, \$263.84, \$73.28, \$276.88; items not entered in the check book, interest on bank balance \$14.23 and exchange on out of town checks \$2.15.

15. Explain each of the following: capital stock, common stock, preferred stock, unsubscribed stock, treasury stock, charter, stock certificate, surplus, dividend.

16. P. O. Judson's balance sheet January 2, 19—, showed the following assets and liabilities; cash \$3465.40; salaries and wages due employees \$1869.50; accounts receivable \$4375.20; notes payable \$7200; accounts payable \$1234.75; merchandise inventory \$8145; motor trucks \$1265; interest accrued on notes payable \$56.40.

On March 31 Judson's assets and liabilities were as follows: cash \$958.60; accounts payable \$3978.84; notes payable \$9675; salaries and wages due employees \$345.50; merchandise inventory \$9615; accounts receivable \$4314.25.

Prepare a statement to show Judson's profit or loss.

17. The following balance sheet represents the condition of J. K. Loring's business on June 30, 19—:

Assets		Liabilities	
Cash	\$ 2560	Notes payable	\$ 5000
Notes receivable	1800	Accounts payable	8675
Accounts receivable	29500	Reserve for depreciation	
Mdse. inventory	6240	on delivery equipment	200
Furniture and fixtures	450	Reserve for bad debts	1450
Delivery equipment	1200	J. K. Loring, capital	25000
Unexpired insurance	80	J. K. Loring, private	1520
Accrued interest	15		
	<u>\$41845</u>		<u>\$41845</u>

By a contract of sale executed July 2, Loring transfers his business to F. W. Williams, who agrees to take the following assets at the amounts stated: notes receivable \$1800; accounts receivable \$27,000; merchandise inventory \$5750; furniture and fixtures \$300; delivery equipment \$800; unexpired insurance \$80; accrued interest \$15. He further agrees to pay \$3000 for the good will of the business and to assume the liability on notes payable and accounts payable.

If settlement is made in cash on the date mentioned, show the entries required to close Loring's books.



## FINAL EXAMINATIONS

### I

*Answer question 1 and two of the others*

For question 1 use journal, cashbook, sales journal or sales book, and purchase journal or purchase book.

The special columns required in the journal are Accts. Pay. Dr., Notes Rec. Dr., Accts. Rec. Cr., and Notes Pay. Cr.

The special columns required in the cashbook are as follows: on the debit side, Disc. on Sales, Accts. Rec., and Sales; on the credit side, Disc. on Pur., Accts. Pay., and Expense. All original entries must contain sufficient explanations to make transactions clear.

1. A. B. Carter and E. F. Gordon have been engaged in business in Syracuse, N. Y., Carter in the carpet and rug business, Gordon in the furniture business. On November 1, 19—, they form a partnership, under the firm name of Carter & Gordon, for the purpose of conducting a wholesale and retail carpet and furniture business. The new firm is to take over all the assets of the partners and to assume all the existing liabilities. The partner whose statement of assets and liabilities shows the smaller net worth is to make an additional cash contribution to equalize the investments.

The following statements of assets and liabilities prepared by the partners form the basis of their respective investments:

#### A. B. CARTER

Cash \$5000; mdse. inventory \$12,200; office and store fixtures \$2500; horses, wagons, and harness \$900; notes receivable (schedule A) \$1560; accounts receivable (sched-

# FINAL EXAMINATIONS

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ule B) \$8800.10; insurance prepaid \$240; notes payable (schedule C) \$1500; accounts payable (schedule D) \$5410.30.

## *Schedule A Notes receivable*

3 months' note dated Oct. 9, 19—, Henry Mason, maker, \$300

4 months' trade acceptance dated Aug. 23, 19—, John White, acceptor, \$1260

## *Schedule B Accounts receivable*

John White	\$3250.97	Henry Mason	\$2980.63
William Dengate	1655.40	D. E. Sayles	913.10

## *Schedule C Notes payable*

2 months' interest-bearing note dated Sept. 16, 19—, in favor of Taylor & Co. \$1000

3 months' note dated Oct. 19, 19—, in favor of Detroit Chair Co. \$500

## *Schedule D Accounts payable*

Taylor & Co.	\$2760	Michigan Furniture	
Detroit Chair Co.	1409.60	Co.	\$1240.70

## E. F. GORDON

Cash \$6000; mdse. inventory \$17,520; office and store fixtures \$1675; auto delivery truck \$960; notes receivable (schedule A) \$1250; accounts receivable (schedule B) \$9723.50; accounts payable (schedule C) \$3231.25.

## *Schedule A Notes receivable*

3 months' note dated Aug. 31, 19—, Donald Morgan, maker, \$1250

## *Schedule B Accounts receivable*

Donald Morgan	\$1975.30	Howard Gibson	\$3522.60
James Blake	2363.90	Harvey Bullis	1861.70

## *Schedule C Accounts payable*

Smith Bros.	\$1495.75	Sanford & Co.	\$1735.50
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(a) Under date of November 1, 19—, make the opening entries for the investments of the two partners. [Carter contributed his check for his additional investment.]

(b) Record, with sufficient explanations, the following selected transactions:

**November 3** Bought of Smith Bros., Amsterdam, N. Y., a lot of carpets amounting to \$1540; terms  $\frac{5}{10}$   $\frac{2}{30}$   $\frac{n}{90}$ .

**4** Sold John White, City, furniture amounting to \$680 and received his check for \$300, balance on account. Paid rent for month in advance \$150. Paid freight on invoice from Smith Bros. \$23.45. Received New York draft from Donald Morgan to apply on his account \$875.20.

**6** Cash sales for day \$367.35. Paid for cleaning windows \$2. Discounted at the First National Bank John White's acceptance (see schedule A) and received credit for the proceeds.

**9** Bought of Sanford & Co., Philadelphia, Pa., rugs amounting to \$1290; terms  $\frac{5}{10}$   $\frac{2}{30}$   $\frac{n}{90}$ .

**12** Bought of Michigan Furniture Co., Grand Rapids, Mich., on our four months' note, furniture amounting to \$953.

**15** D. E. Sayles, having failed in business, settles with his creditors for 50 cents on the dollar. His check for \$456.55 has been received and accepted in full settlement of his account. Sent our check to Smith Bros. in payment of invoice of October 12; amount \$670.50, less 2%.

**16** Received from Howard Gibson, to apply on his account, our interest-bearing note in favor of Taylor & Co., for \$1000, due to-day.

**19** Sold Donald Morgan furniture amounting to \$760; terms  $\frac{5}{10}$   $\frac{2}{30}$   $\frac{n}{90}$ .

**24** The First National Bank notified us that Charles Moore's note for \$265, which was left for collection

and which matured yesterday, was protested for non-payment; the protest fees, \$2.50, were charged to our account.

27 Received check from Donald Morgan in payment of bill of November 19, less the discount.

29 Sold Henry Lamb carpets and rugs amounting to \$975 and received his 60-day note in payment. We indorsed this note to Sanford & Co. and sent it to them to apply on our account. Returned to Sanford & Co. 2 rolls of carpet amounting to \$143.35; this carpet was received with last invoice but was not the pattern ordered.

29 A 30-day draft in our favor drawn on the 26th on James Blake for \$1200 has been accepted and returned.

30 Received check from Donald Morgan in payment of note due to-day. [See schedule A of Gordon's invested assets.] Paid by check the following: salaries of bookkeeper and clerks for month \$250; invoice of stationery \$27; bill for gas and electric light for month \$22.75.

(c) Foot and rule the books of original entry for posting.

(d) Make the necessary postings and show the trial balance as of November 30. [80]

2. Define *five* of the following: sinking fund, way-bill, certified check, account sales, account current, preferred stock, fixed asset, accommodation note. [10]

3. During the year ending December 31, 19—, George Butler's books have been kept by single entry. Explain fully how to ascertain his net profit for the year. [10]

4. H. M. Kerr and O. E. Weir are partners in a manufacturing concern under the firm name of Kerr & Weir. Their investments are as follows: H. M. Kerr \$30,000, O. E. Weir \$20,000. They decide to

incorporate their business with a capital stock of \$75,000, consisting of 750 shares at \$100 a share. The partners are to receive stock for their respective interests and good will as follows: H. M. Kerr 350 shares, O. E. Weir 250 shares. A. S. Miller, W. G. Burton, and J. M. Ronan each subscribe for 10 shares. The rest of the capital stock, 120 shares, is not to be sold till later. The following list of assets and liabilities of the old firm has been accepted by the corporation:

Assets		Liabilities	
Accounts receivable	\$12000	Accounts payable	\$4800
Raw materials	9000	Notes payable	1500
Plant	9000		
Real estate	10000		
Cash	7600		
Finished goods	8700		

Make the necessary journal entries (a) to close the books of the old firm, (b) to open the books of the corporation. [A new set of books is to be used by the corporation.] [10]

5-6. From the following trial balance and inventories, prepare a profit and loss statement for the year ending December 31, 19—: [20]

Paul Wilson, investment		\$15000
Carl Young, investment		15000
Paul Wilson, withdrawals	\$ 1200	
Carl Young, withdrawals	1500	
Cash	7269.50	
Mdse. inventory, Jan. 1, 19—	8471.20	
Purchases	64396.75	
Returned purchases		1167.82
Discount on purchases		961.30
Sales		94392.40
Returned sales	1762.50	
Discount on sales	1975.80	

General expense	6332.45	
Rent	2200	
Insurance	135	
Freight inward	1246.75	
Interest and discount		210.42
Furniture and fixtures	1600	
Delivery equipment	1200	
Notes receivable	9600	
Accounts receivable	34354.73	
Notes payable		10500
Accounts payable		4362.74
Reserve for bad debts		1650
	<u>\$143244.68</u>	<u>\$143244.68</u>

Inventories, December 31, 19—:

Merchandise	\$9700
Accrued interest on notes receivable	112.50
Interest accrued on notes payable	61.25
Rent due for December and unpaid	200
Furniture and fixtures, book value less 10 % depreciation	
Delivery equipment, book value less 10 % depreciation	

## II

*Answer questions 1 and 2, and five of the others*

For question 1 use a cashbook with special columns provided as follows: on the debit side, Disc. on Sales, Sales Ledger, Notes Rec., and Int. and Disc.; on the credit side, Disc. on Pur. and Purchase Ledger. General and Net Cash columns are also to be provided. All original entries must contain sufficient explanations to make transactions clear.

1. On May 1, 19—, the cashbook of William Harmer, dealer in electric supplies, showed a balance of \$1512.60. Enter this balance in the cashbook and record, with explanations, the following transactions:

**May 2** Received John King's check for \$400 balance of account due May 1.

- 3 Paid freight bill for month of April \$46.40.
- 5 Discounted Henry Dake's 60-day note at the City National Bank and received credit for the proceeds; date of note April 15, face \$1450.
- 6 Paid Western Supply Co's invoice of April 21 for \$1620, less 2% discount.
- 7 Received George Walsh's check for bill of April 30, \$362.10, less 3% discount.
- 8 James Larson paid by check his acceptance for \$750 due to-day.
- 10 Miscellaneous cash sales were made amounting to \$18.50.
- 12 Drew on Charles Larkin at sight for \$246.25, balance due on account, and received credit for the draft at the City National Bank.
- 13 Demanded payment of Johnson & Armstrong for their interest-bearing note due to-day and received a check in full settlement, face and interest; face of note \$550, date of note February 13.
- 14 Remitted to Western Supply Co. a New York draft for \$600 to apply on account. The draft was purchased at the City National Bank, exchange at par.
- Close the cashbook properly and bring down the balance. Indicate clearly the postings necessary for the totals. [40]

2. For the month ending May 31, 19—, the ledger of John L. Marcy, wholesale merchant, shows the following balances for the trading and profit and loss accounts:

Sales		\$8746.40
Returned sales	\$ 83.25	
Discount on sales	174.18	
Purchases	2876.43	
Returned purchases		100.12
Freight on goods purchased	46.25	
Discount on purchases		113.82
Mdse. inventory, April 30, 19—	9467.18	

Sales expense account	267.50
Administrative expense account	273.50
General expense account	76.42
Interest and discount	8.95
Insurance	12

On May 31 the merchandise on hand is inventoried at \$5827.63.

Using the above accounts and merchandise inventory, prepare a profit and loss statement that will show (a) net sales, (b) cost of merchandise sold, (c) gross trading profit, (d) net profit of the business for the month. [20]

3. On January 7 you received from J. R. Milton & Co., Lockport, N. Y., 100 bbl. apples to be sold on their account at 5% commission. The apples were sold as follows: 20 bbl. @ \$3.50; 35 bbl. @ \$3.75; 30 bbl. @ \$4; 15 bbl. @ \$3.80. Payments were made for freight \$16.25, for storage \$15.50, for cartage \$11.50. On January 31 proceeds were remitted by 10-day sight draft on William Harvey, Rochester, N. Y. Prepare an account sales and write the draft to accompany same. [10]

4. The Royal Furniture Company is incorporated with a capital stock of \$50,000, shares \$100 each, for the purpose of taking over the business of W. M. Thompson, furniture manufacturer at St. Louis, Mo. On April 1, 19—, Thompson transfers his business to the company for 300 shares of stock at par, his balance sheet of March 31 with total resources \$36,782.25 and total liabilities \$9,675.75 being taken as the basis for the transfer. J. K. Peters, George Clark, and Henry Coates have each subscribed for 30 shares and pay cash on April 1 for the stock subscribed. Assuming that the corporation is to continue the use of Thompson's books, make the necessary entries. [10]



5. Explain the advantage of depositing in the bank all cash receipts and making payments entirely by check [6]. With such a plan in force, explain the provision that should be made for the payment of the petty expenses of a business [4].

6. Record in journal form, with sufficient explanations, the entries for the following:

(a) Ten days ago an invoice of goods amounting to \$1532.80 was bought, on terms  $1/10$ , from the Naples Manufacturing Co. and was regularly entered at the time of purchase. Settlement is made to-day for the amount of the invoice, with allowance for damaged goods \$10.45 and for the discount. James Warren's note for \$563.50, on which 32 days' interest has accrued, is transferred in part payment and a check is given for the balance. [5]

(b) A note for \$237.50, due June 5, in favor of Johnson & Gray, was paid at maturity. The bookkeeper charged Johnson & Gray at the time and the entry was so posted. The error is discovered to-day. Make the correction entry, assuming that a purchase ledger is used in the business. [3]

(c) Office salaries \$160 and office expenses \$40 were charged to General Expense, contrary to instructions that separate accounts were to be used. Make the adjusting entry. [2]

7. Make the proper entries for your part of the transaction referred to in question 3. [10]

8. In the sales department of a manufacturing concern a system is in use whereby bills are made in triplicate and a record is kept of the sales in a sales journal or register. Explain (a) the advantages of such a system, (b) the method of posting. [10]

9. How does a merchant whose books are kept by single entry ascertain at the end of the year the profit

on merchandise, the total expenses for the year, and the net profit of his business? [10]

10. Explain (a) current assets, (b) fixed assets, (c) voucher, (d) administrative expense, (e) accommodation note. [10]

### III

*Answer questions 1, 2 and 3, and two of the others'*

1. Vincent & Lang, wholesale merchants, use as their books of account the journal, cashbook, sales journal, purchase journal, general ledger, accounts receivable ledger, and accounts payable ledger.

On June 30, 19—, the totals of the different columns in the books of original entry for the month of June are as follows: journal debit, Accts. Pay. \$2675.16, Notes Rec. \$4500, General \$787.43; journal credit, Accts. Rec. \$1560.92, Notes Pay. \$2300, General \$4101.67; cashbook, debit side, Net Cash (not including the balance brought from June) \$6159.97, Accts. Rec. \$3682, Disc. on Sales \$73.64, Cash Sales \$1675.85, General \$875.76; cashbook, credit side, Net Cash \$7147.31, Accts. Pay. \$5349.50, Disc. on Purchases \$163.49, Expense \$287.50, General \$1673.80; sales journal, On Account \$5867.18, Cash \$1675.85; purchase journal \$7836.40.

From the above totals, show the journal entry required to close each book on June 30, preparatory to posting the month's business. [30]

2. The following balances appear on the general ledger of Vincent & Lang on June 30, 19—: George Vincent, capital account \$35,000; Walter Lang, capital account \$35,000; George Vincent, drawing account \$2161.50; Walter Lang, drawing account \$1400; cash \$28,175.40; real estate \$30,000; notes receivable \$2875; notes payable \$6500; accounts receivable \$8642.60;

accounts payable \$7272.70; merchandise inventory, January 1, 19—, \$8259.80; purchases \$16,862.50; sales \$24,263.10; freight inward \$360.50; discount on purchases \$216.75; discount on sales \$189.60; taxes and insurance \$1600; general expense \$861.10; salaries and wages \$5876.25; furniture and fixtures \$680; interest and discount, debit balance \$61.50; bad debts \$246.80.

The inventories on the same date are as follows: merchandise on hand \$10,149.16; prepaid taxes and insurance \$650; wages due and unpaid \$142.50; furniture and fixtures at 5% less than ledger valuation.

Draw up the trial balance for June 30, 19—, and with the inventories given, make *two* statements, one showing the profit or loss for the period ending June 30, and one of the same date showing the assets, liabilities, and net worth of each partner, the net profit or net loss being shared equally. [35] [Statements must be made according to some approved form.]

3. Journalize, with sufficient explanations, the following transactions: [15]

(a) Settled the balance of the account with Troy Supply Co. \$342.50 by giving them a check for \$150 and an order for cash on F. R. Stanton for \$192.50.

(b) Discounted William Mason's 60-day note with interest at the City National Bank and received credit for the proceeds; face of note \$750, term of discount 42 days.

(c) Consignment received from H. G. Dillinger has been closed out and account sales rendered to consignor for \$416.75, less charges made for commission at 5%, freight \$3.50, and storage \$4.10; net proceeds subject to sight draft in 30 days.

(d) Sold C. A. Kenyon & Co. merchandise per bill rendered \$316.50. Received in payment R. L. Marsh's 30-day acceptance for \$150 in their favor and check for \$75, the balance on account.

(e) W. A. Hart settled his account with his 90-day note for \$367.50. The transaction was incorrectly journalized "W. A. Hart to Notes Payable \$367.50" and posted. Make necessary entries for correction.

4. From the following transactions for August 19—, construct the complete account of H. G. Kane & Co., properly balanced, as it will appear in the accounts payable ledger of Vincent & Lang on September 1: [10]

Aug. 4, Bought goods amounting to \$4162.50; Aug. 5, Paid \$1500 on account; Aug. 7, Returned damaged goods invoiced at \$62.50; Aug. 10, Bought a bill of goods on 10 days' credit \$1716.22; Aug. 11, Paid by check half the amount still due on bill of Aug. 4; Aug. 12, Gave them a note for \$1000 to apply on account; Aug. 15, Bought goods on account \$1621.40; Aug. 16, An error is discovered in bill of Aug. 15, the correct total of which is \$1605.20; Aug. 20, Paid by check \$500 on account; Aug. 25, They allow \$42.50 for freight paid; Aug. 27, Forwarded our check for half the balance due.

5. Show the complete form of the draft mentioned in 3(d) at the time it is transferred by C. A. Kenyon & Co. [10]

6. Explain the steps taken in making (a) a collateral loan, (b) an accommodation loan. [10]

7. Give *two* advantages and *two* disadvantages of the voucher system of accounts. [10]

#### IV

*Answer questions 1 and 2, and two of the others*

For question 1 use journal, cashbook, sales book or journal, and purchase book or journal.

The special columns required in the journal are Accts. Pay. Dr. and Accts. Rec. Cr.

The special columns required in the cashbook are as follows: on the debit side, Disc. on Sales, Accts. Rec., and Sales; on the credit side, Disc. on Pur., Accts. Pay., and Expense. All original entries must contain sufficient explanations to make transactions clear.

1. On December 1, 19—, the cashbook of The Wilson Furniture Co., Brooklyn, N. Y., showed a balance of \$11,675.25. Enter this balance in the cashbook and make, with proper explanations, the necessary entries for the following transactions:

**December 2** Received from John Williams, Grand Rapids, Mich., invoice of furniture amounting to \$1200; date of invoice November 29, terms of invoice  $\frac{5}{10}$   $\frac{2}{30}$   $\frac{n}{90}$ .

3 Sold Brown & Potter, City, terms  $\frac{1}{2}$  cash, balance 90-day note: 10 three piece parlor sets @ \$40; 10 dining tables @ \$18. Received their check and note, both dated to-day, in payment of bill rendered.

Paid freight on invoice from John Williams in cash \$45.

Cash sales for the day \$240.

4 E. A. Dorman failed to pay his two months' note for \$600, dated October 4, which we had discounted at our bank. Our bank notified us that the note and protest fees \$1.50 were charged to our account.

5 Received from E. A. Dorman a new interest-bearing 60-day note for the amount of the dishonored note and protest fees.

6 Returned to John Williams, Grand Rapids, Mich., two sideboards @ \$15 and one dresser \$16 from invoice of November 29. These pieces were not the style ordered.

8 Sold Riley & Cohen, Trenton, N. J., terms bill of lading with sight draft attached: one parlor set \$85; one dining room set \$45; three bedroom sets @ \$40. The prices were subject to a trade discount of 5%.

9 Remitted to John Williams a draft on the Ninth National Bank, Chicago, Ill., purchased by check at the School National Bank, Brooklyn, N. Y., in payment of invoice of November 29, less the discount. [Note that some of the goods were returned on December 6.]

12 Received notice from our bank that the sight draft drawn on Riley & Cohen in payment of bill of December 8 has been collected and placed to our credit; collection charges  $\frac{1}{8}\%$ . Cash sales for the day \$235.

15 Received from S. L. Boyd & Co., City, check in payment of bill of furniture purchased November 24; amount of bill \$540, terms  $\frac{3}{10} \frac{2}{30} n/60$ .

18 Discounted Brown & Potter's 90-day note of December 3 and received credit for the proceeds. Cash sales for the day \$175.

19 Paid cash for the following items: insurance on stock \$240; office salaries \$36; office supplies \$15; janitor service \$5.

24 Cash sales for the day \$190.

27 Bought of O. D. Feldman for \$18,000 the store and lot we now occupy, and made settlement as follows: paid cash \$5000 and gave a mortgage for the balance.

31 Cash sales for the day \$210.

Prepare the books of original entry for posting and balance the cashbook. [60]

Do not post but indicate clearly the postings necessary.

2. On December 31, 19—, the general ledger of Henry Watkins, wholesale merchant, shows the following trial balance:

Henry Watkins, proprietor		\$ 50000
Cash	\$ 9165.20	
Notes receivable	12450.40	
Accounts receivable	36678.12	
Mdse. inventory, Jan. 1, 19—	18572.50	
Notes payable		11480.96
Accounts payable		10930.80
Purchases	95349.23	
Discount on purchases		2084.50
Sales		115136
Discount on sales	3560	
Insurance	560	
Rent	6000	
Interest and discount	561.80	
Collection and exchange	116.40	
General expense	5636.61	
Furniture and fixtures	982	
	<u>\$189632.26</u>	<u>\$189632.26</u>

The inventories on December 31 are as follows: merchandise \$21,650; furniture and fixtures 10% less than ledger value; interest accrued on notes receivable \$126.50.

Prepare a statement of profit and loss for the year ending December 31 that will show (a) the gross profit on merchandise, (b) the net profit for the year. [20]

3. John Allen and George Bacon formed a partnership on January 2, 19—. The agreement provided that Allen and Bacon were to receive respectively three fourths and one fourth of the net profit.

Allen invested \$4287.46 and Bacon invested \$1050. During the year Allen withdrew \$1500 and Bacon withdrew \$700. At the close of the year the total assets of the firm were \$7564 and the total liabilities were \$3452.50. Find the interest of each partner in the firm at the close of the year. No particular form of statement is required, but all work must be shown. [10]

4. On January 10, 19—, John Lyman and David Norman became partners to carry on the retail hardware business. Lyman invested cash \$1000, merchandise \$4000, notes receivable \$1200, store and lot valued at \$11,000 and mortgaged for \$9000. The new firm assumed the mortgage on the store and lot invested by Lyman and also a 60-day note for \$800, dated December 15, 19—, which Aaron Dolan held against Norman. Norman invested cash to make his net investment equal to Lyman's.

Make the opening entries for the new firm. [10]

5. Explain *four* of the following terms: good will, current liability, fixed asset, capital stock, surplus account, shipment account, account purchase. [10]

6. Answer both (a) and (b):

(a) What is a voucher check and how is it used? [5]

(b) What records should a petty cashbook contain?

What advantage results from the use of the petty cashbook? [5]

7. On October 10, 19—, William Johns, a commission merchant, 16 Washington St., New York City, received from Fred Mott, Watertown, N. Y., 4000 bu. potatoes to be sold on commission. On the same date Johns paid freight \$230, cartage \$42, and advanced to Mott \$500 cash. On October 28 Johns sold for cash the potatoes at 55¢ a bushel and rendered an account sales, inclosing a check for the amount due, charges being made for storage \$40 and for commission 3%.

(a) As bookkeeper for William Johns, make the necessary entries for the transactions given above. [5]

(b) Prepare the account sales rendered by Johns. [5]

## V

*Answer question 1 and two of the others*

For question 1 use journal, cashbook, purchase journal, and customers' sales journal.



The columns required in the journal are as follows: on the debit side, Notes Rec., Accts. Pay., General; on the credit side, General, Accts. Rec., Notes Pay.

The columns required in the cashbook are as follows: on the debit side, Wood Sales, Coal Sales, Accts. Rec., General; on the credit side, In Freight, Accts. Pay., General. Net Cash columns may also be used.

Two columns, headed respectively Wood and Coal, are required in both the purchase journal and the customers' sales journal.

Explain original entries sufficiently to make transactions clear.

1. On June 1, 19—, E. M. Barry and G. H. Dann, who have been partners in the wood and coal business in Binghamton, N. Y., enter into a new partnership with A. L. Harper, whereby Harper becomes an equal partner on making a cash investment equal to one half of the present worth of the old firm. In determining this present worth, \$2000 is allowed for good will. The agreement also provides for each partner a drawing account of \$35 a week.

The following statement of assets and liabilities submitted by Barry and Dann is accepted as the basis of their respective investments:

**Assets:** Real estate (yard and sheds) \$5000; cash \$4234.30; inventories (coal \$7216.40, wood \$1217); office and yard equipment \$1640; delivery equipment (trucks, horses, wagons, etc.) \$4600; delivery service supplies (hay, grain, and gasoline) \$140; notes receivable (schedule A) \$1840; accounts receivable (schedule B) \$2412.30; good will \$2000.

**Liabilities:** Notes payable (schedule C) \$3000; accounts payable (schedule D) \$2560.

*Schedule A      Notes receivable*

D. E. Bentley's note for 3 months, dated May 1, 19—, \$1000

A. W. Moon's note for 4 months, dated April 10, 19—, \$840

*Schedule B      Accounts receivable*

D. A. Conley & Co.	\$310	Brant Hotel Co.	\$1000
L. R. Webster	84.60	A. H. Foster	93.45
New York Traction Co.	924.25		

*Schedule C      Notes payable*

Barry & Dann's note for 3 months, dated April 1, 1919, in favor of themselves, for \$3000, discounted at the First National Bank, Binghamton, N. Y., on the date of issue.

*Schedule D      Accounts payable*

Lackawanna Coal Co.	\$2000	A. C. Bowers & Co.	\$560
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(a) Under date of June 1, 19—, make the opening entries for the new partnership, showing the respective investments of the three partners. [Harper has handed over a check for the amount of his investment.]

(b) Record, with sufficient explanations, the following selected transactions:

**June 3** Closed contract with the Erie R. R. Co. for land for yard purposes, price \$5000; paid cash and took title to-day; paid also in connection with acquiring title to the land purchased \$146.20. Cash sales of coal for the day \$114.60.

**4** Received from Beaver Brook Coal Co., terms 30 days net, consignment of coal amounting to \$241. Paid freight on coal from Beaver Brook Coal Co. \$78.20. Cash sales of wood for the day \$34.70.

**5** Sold on account and delivered to the Dudley Manufacturing Co. 24 tons coal @ \$7.60 per ton, \$182.40. Cash sales of coal for the day \$77.90.

**6** Received check from D. A. Conley & Co. in full of account. Sent our check to the Lackawanna Coal Co. in full of account. Cash sales of wood for the day \$21.60.

**7** Received from the Brant Hotel Co. their 60-day note, dated to-day, for balance due on their account.

Discounted Brant Hotel Co's note at the First National Bank and received credit for the proceeds. Received from the Glens Falls Mill Co., Glens Falls, N. Y., terms 30 days net, a consignment of wood amounting to \$191.80. Cash sales of coal for the day \$58.70.

8 Received L. R. Webster's check for balance due on account. Received from the Lackawanna Coal Co., terms 30 days net, a consignment of coal amounting to \$372.60. Paid freight on this consignment \$134.75.

10 Sold on account and delivered to L. R. Webster, 12 tons coal @ \$8.10 per ton, \$97.20. Received A. H. Foster's check in payment of his account in full. Delivered to O. E. Houston on account 2 cords wood @ \$12.60 per cord, \$25.20.

11 Paid \$1500 cash for new addition to coal sheds. Sold A. H. Foster on account 18 tons coal @ \$8.10 per ton, \$145.80.

12 A. W. Moon paid his note of April 10, less the discount for the unexpired time. Cash sales of coal \$112.70.

13 Received from New York Traction Co. cash \$424.25 and 30-day note for \$500 in full of account.

14 Sent Lackawanna Coal Co., Scranton, Pa., a New York bank draft in full of account.

15 Paid salaries for the two weeks as per pay roll \$229.50. Each partner drew out \$70 in cash.

(c) Foot and rule the cashbook and show the totals of each side in the form of the journal entry ready for posting. Close journal, purchase journal, and sales journal. [80]

2. Write the New York draft in the transaction of June 14. [This draft was drawn by the First National Bank of Binghamton; correspondent bank, the Hanover National Bank, New York City.] [5] Trace the course of this draft from the time it was issued until it is returned and canceled. [5]

3. Write in proper form, including the indorsement, the note for \$3000 (schedule C) discounted for Barry & Dann at the First National Bank [7]. Give in journal form the entry for the discounting of this note on April 1. [3]

4. Define *four* of the following: preferred stock, sinking fund, charter, stock dividend, minute book, subscription account. [10]

5-6. From the following trial balance and inventories, prepare a profit and loss statement for the year ending December 31, 19—: [20]

J. A. Bates, investment		\$10000	
D. W. Homer, investment		10000	
J. A. Bates, drawing account	\$ 1500		
D. W. Homer, drawing account	1500		
Cash	7200.40		
Mdse. inventory, Jan. 1, 19—	12640		
Purchases	30264.70		
Freight on goods received	628.25		
Sales		44124.30	
Discount on purchases		1844.10	
Returned sales	820.60		
Rent	1800		
Insurance	105		
General expenses	3860.70		
Furniture and fixtures	2500		
Delivery equipment	1400		
Accounts receivable	3721.20		
Accounts payable		1972.45	
	<u>\$67940.85</u>	<u>\$67940.85</u>	

Inventories, Dec. 31, 19—:

Merchandise	\$11842.60
Unexpired insurance	35
Furniture and fixtures, book value less 10 % depreciation	
Delivery equipment, book value less 10 % depreciation	
A reserve of $\frac{1}{2}$ % of total sales is also provided for bad debts.	





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## APPENDIX A

### MODEL STATEMENT FORMS

The Federal Trade Commission, in conjunction with a committee of the American Institute of Accountants, determined upon certain standard forms of profit and loss statement and balance sheet to be recommended for general adoption by merchants and manufacturers. Forms *IIa* and *IIb*, patterned after those suggested by the Commission, are offered as suitable models for advanced work in statements. The forms can be expanded or modified to meet varying conditions without necessitating any material change in method of construction.



## APPENDIX B

### SUGGESTIONS ON THE CONDUCTING OF EXAMINATIONS AND THE RATING OF EXAMINATION PAPERS

#### ON THE CONDUCTING OF EXAMINATIONS

1. Each pupil should have on hand, in addition to the materials that are usually furnished, a supply of pens, rulers, blotters, and ink.

2. Journal and ledger ruled paper should be furnished, or the pupils may prepare a supply in advance and save the time otherwise spent in ruling the paper. For the examination in advanced bookkeeping, the paper should be ruled for a journal of six columns and a cashbook of ten columns (5 debit and 5 credit). An examination will not ordinarily require any other bookkeeping forms than those mentioned here.

3. Rulings may be made either in red ink or in black ink, but never with red crayon pencil.

4. No postings are required unless the directions so state. When the direction "Prepare for posting" is given, it is expected that pupils will make the necessary footings and indicate in some way how these footings should be posted.

5. Pupils should be instructed to arrange answer papers so far as possible in the order in which the questions appear on the examination paper.

#### ON THE RATING OF PAPERS

1. The rating schedule<sup>1</sup> given below applies only to the

<sup>1</sup> The various deductions prescribed are to be made from the number of credits assigned to the question, the remainder representing the credits allowed for a given answer to the question. If, for example, the total

part of the examination paper given in the form of a business narrative — a series of related business transactions to be recorded as in actual practice. No error should be penalized if it is the result of some previous error already penalized; for instance, when a deduction is made for an error in an original entry, no further deduction should be made for incorrect results in ledger, trial balance, etc., on account of this error. When the journal, sales journal, purchase journal, and cashbook are used as books of original entry, they should be rated in the order given here.

*Elementary bookkeeping*

- (a) Five credits should be deducted for *each* of the following:
  - (1) Failure generally to indicate original entry books and pages in the proper places in the ledger.
  - (2) Failure generally to make complete explanations of transactions in connection with the original entries.
  - (3) Using a book of original entry other than the books required.
- (b) Three credits should be deducted for *each* of the following:
  - (1) Failure generally to indicate in the proper places in the books of original entry the pages in the ledger to which items are posted.
  - (2) Error in the method of closing any account required to be closed or in closing the cashbook.
  - (3) Error in addition or subtraction other than in obtaining the amount to be used in an original entry, which is provided for in *c* (1).
- (c) Two credits should be deducted for *each* of the following:
  - (1) Error in finding the amount of a debit or a credit in an original entry.

deductions in a pupil's answer to question 1 of Final Examination I, page 92, amount to 25 credits, the answer will be entitled to 55 credits.

When a rating on a 100% basis is desired for individual exercises on the business narrative, such as are given on pages 7-43, the same schedule may be applied, the adjustment being made after the total number of credits allowed has been ascertained. To illustrate: 40 credits are assigned to Exercise 1, page 7; if, according to the schedule, the number of credits allowed is 30, the final mark on a 100% basis will be  $30 \div 40$ , or 75%.

Financial statements are rated in a similar manner by applying the schedule provided for that purpose (see section 2).

- (2) Error in determining the account to be debited or the account to be credited in an original entry for a transaction (maximum charge 5 credits in entry for a single transaction, except in an opening entry when the maximum charge is 10 credits).
- (3) Omitting a debit or a credit in an original entry, maximum charge same as in c (2).
- (4) Reversing the accounts debited and credited in an original entry, names of accounts being correctly given.
- (5) Entering any transaction in the wrong book when two or more books of original entry are used. (In case all cash transactions are entered in the journal when a cashbook is to be used, a general deduction of 10 credits should be made; in addition, all other errors should be charged for in accordance with directions given.)
- (6) Error in taking a trial balance from a ledger (maximum charge 5 credits).
- (7) Any error in ruling where ruling is required either in a final or an original entry book.
- (d) One credit should be deducted for *each* of the following:
  - (1) Failure to enter the proper date of a transaction.
  - (2) Failure to post any item.
  - (3) Error in posting any item.
  - (4) Failure to express an amount according to business custom (\$3.125 for \$3.13).
- (e) From 1 to 10 credits should be deducted for lack of neatness or for any error not specified above.

*Advanced bookkeeping*

- (a) Directions for marking elementary bookkeeping papers should be followed.
- (b) Five credits should be deducted for *each* of the following:
  - (1) Failure to use any special column in books of original entry as required by the question paper, or the use of any special column other than

the columns required (maximum charge 10 credits in each book of original entry).

- (2) Incorrectly summarizing and closing the columnar cashbook.
- (3) Failure to carry controlling accounts in the ledger when the system required in the examination makes them necessary.
- (c) Two credits should be deducted for *each* of the following:
  - (1) Error in determining the account to be debited or credited in closing entry of the columnar journal, the sales book or journal, or the purchase book or journal (maximum charge 5 credits in any one book).
  - (2) Placing an amount in the wrong column in a columnar book of original entry (maximum charge 5 credits in any one column).
- (d) From 1 to 10 credits should be deducted for lack of neatness or for any error not specified above.

2. Profit and loss statements and balance sheets should be rated as follows:

- (a) Three credits should be deducted for *each* of the following:
  - (1) Error in the use of any item in making a statement.
  - (2) Omission of any item.
  - (3) Error in computation (maximum deduction one half of the number of credits assigned).
- (b) One third of the number of credits assigned should be deducted for failure to show at least two sections in a profit and loss statement, namely, a trading section and a profit and loss section.
- (c) One third of the number of credits assigned should be allowed for a profit and loss statement showing a correct trading section, regardless of other errors.
- (d) From 1 to 3 credits should be deducted for incomplete heading.
- (e) From 1 to 5 credits should be deducted for poor form and lack of neatness.

3. In rating commercial paper, no credit should be allowed for a form incorrect in any essential part; that is, if it does not show correctly all the parties concerned or if it is so worded on its face as to make it invalid.

On a basis of 5 credits assigned to a question, deductions for minor errors should be made as follows:

- (a) Three credits for incorrect time.
- (b) Two credits for incorrect amount.
- (c) One credit for (1) wrong place or date, (2) amount incorrectly given in figures.
- (d) From 1 to 3 credits for any other errors not specified.

4. Answers to questions on business and office practice must be complete and in accordance with acceptable methods if full credit is to be allowed.

















